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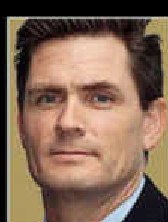

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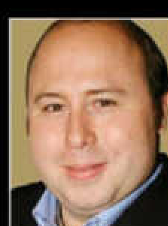

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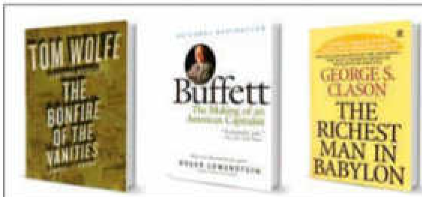

Best of the Best way to start the year

'Tis the season for making forecasts. According to some experts, the S&P/ASX 200 will hit 6000 points by the end of 2016. It's had an exciting ride to date, even dropping below 5000. I'm always amused by some of the forecasts. If you want predictions that don't rely on crystal-ball gazing, then *Money's* chief commentator, Paul Clitheroe, sums it up nicely on page 12. Our economy is better than we want to believe.

This Best of the Best edition, now in its 15th year, is about opportunities: the suburbs to buy into, the investment strategies to check plus all the award-winning products to help you reach your goals. A big thank-you to our research partners – Canstar, Morningstar, Lonsec, Zenith, SQM Research, SuperRatings and WhistleOut. Quality data and transparency are what this issue is built on – you can find more on this at moneymag.com.au. *Money's* deputy editor, Maria Bekiaris, with senior sub-editor Lindsey Leathart, once again project-managed this issue nicely. We hope it helps you to cut down your research time and to choose your products wisely. Congratulations to all our winners.

See you in the new year, hopefully without a financial hangover.

feedback

LETTER OF THE MONTH

Poor deserve a share of wealth

I appreciated Paul Clitheroe's comment that "better lives for the poor are better for everyone" (In Your Interest, November). I truly think this is forgotten by many. While I am keen to expand my personal wealth/assets I am also reminded every day when I go to work as a social worker of a saying I once heard: a country is only as good as it treats its poor.

If we want to expand our own wealth at the expense of others (unfair or inequitable government/financial policies favouring those on higher incomes) then I would rather not, due to the weight on my conscience. It's easy to forget the barriers that people and children growing up in inter-generational poverty face both financially and personally – and harder again to break them.

There are some great programs – such as the Smith Family's Sponsor A Child to assist disadvantaged kids with education and other needs – and donations are tax-deductible.

Thank you for the well-written article.

(PS: I don't work for the Smith Family. I work for the government!)

Hayley, email

Keep a clean credit file

Having been a mortgage broker at the tender age of 23, I can attest that it's not a job for the faint-hearted. However, I've seen many a loan declined due to credit problems – be it defaults, low scores, etc.

My advice is this: always (!!!) make sure that your credit file is in order. Why? Banks will decline your application. So if you know that you have an unpaid default, pay it and make sure that your explanation is believable. Life does happen, and lenders do want your business, but if you're too risky your loan will be declined (due to the mortgage insurer not liking the deal or whatever reason).

Frank, email

No cash to sacrifice

Everyone talks about salary sacrificing into super in our 50s, assuming that our kids are off your hands – that is, they are in their twenties and working. But with couples not having children until their late 30s and early 40s they cannot afford to salary sacrifice in their 50s.

We are a case in point. My husband and I are both 53 with two children, one at prep and the other at high school. They have been at private school for their whole schooling lives. (Yep, crazy I know!)

It seems as if the super system is geared to the people who either have no kids or had them when they were really young. The rest of us who had kids late in life can't tie up our spare cash in our 50s.

Linda, email

True vacancy rates

My wife and I recently purchased a two-bedroom unit in Melbourne. We followed the advice of one of your contributors (Patrick Bright) and looked at over 100 properties before bidding at auction. We are confident we got a good price and saved money by doing our own research rather than using a property advocate. We actually found the process fun!

However, we did lose some sleep trying to get the unit tenanted. It was a surprise to us when our property manager informed us that the vacancy rate in the suburb was higher than advertised because some agents do not inform the relevant agencies if the units they are managing are vacant or not. I encourage all would-be property investors to do extra due diligence in determining the genuine vacancy rate in a suburb.

The other thing that surprised us was depreciation schedules for older units. I was confident that a late '60s unit would have few items worth depreciating. However, a quantity surveyor was able to identify $3500 of tax deductions, well and truly covering the $550 the schedule cost.

Three of the surveyors we got quotes from were happy to give rough estimates of the deductions over the phone after looking at the property on the internet. This was important as we knew we were not wasting our money in commissioning a surveyor to inspect the unit.

David, email

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Through the rear-vision mirror, Paul Clitheroe enjoys looking at last year's predictions and makes his optimistic calls for 2016

CRIKEY! HERE WE are again. It seems as if I was penning my views for 2015 only recently. Even so, I always enjoy reading back over my "predictions" for the year ahead.

I was right when I said property markets should slow – but not fall in any major way – and that interest rates would be stable. It is pleasing my hope that we would have "a calm and rational conversation in our society about what services we want, what they will cost and how we raise tax more fairly to pay for what we want" seems have become a reality a little faster than I had expected.

This is a lot to do with a new prime minister but actually seeing some sensible debate about reforms to our broken tax system is terrific. GST, which has been politically unmentionable for years, is on the front pages, allowing us all to consider an increase in it, a reduction in some other really bad taxes, such as stamp duty on property, and cuts to personal tax rates. It is also good to see sensible comments about us all sharing the costs of the services we need and want, including high-income earners, who frankly get the lion's share of tax breaks, in particular when it comes to super.

I suspect regular followers of my thoughts about the world of money are well aware that I am an optimist. So my outlook for 2016, which is quite positive, will not surprise you. But let me defend my bias towards optimism with a few key facts.

First, you would need to be a mug or have no understanding of statistics to predict a sharemarket fall. Over the past 100 years, as in all major markets, the Aussie sharemarket rose in 74 years and fell in 26. So by predicting a gain in 2016, historically I have about a 75% chance of being correct. Second, property. It has long, flat periods and periods of decline but these are statistically unusual, so "going up" is the safest prediction.

Inflation is in my favour. If it runs at 2.5% in 2016, this is likely to be built into prices. Luckily, we don't think about shares or property in real terms. I do fall about laughing when I am told "my property is worth what I paid for it 10 years ago, so I have not lost money". In fact, it has lost around 33% of its value because of compounding inflation but, hey, let's not worry about that.

Interest rates are harder, as they go up and down, so this needs a bit more thought. As to the value of the Aussie dollar, well, I'll have a go, but a trained chimp or just throwing darts at a whiteboard would be just as good here!

Seriously, though, the global economy and our economy are better than we want to believe. Negativity is a favourite with the media and I doubt you'll read, hear or see much else. It is all doom and gloom. Ironically, this also helps me with predictions for 2016, as I only get really worried about a collapse when we are overly positive – and we're not that.

So, to my predictions ...

Global We'll be swamped by bad news: Syria, terrorism, China slowing, low commodity prices, Greece will no doubt reappear on our radar, tension in Russia, and job losses in manufacturing.

What you won't hear much about, if anything, is the strong recovery of "lost" economies such as Spain, Portugal and Ireland; that even 5% growth in China leads to a huge increase in demand for goods and services and add to that

significant growth in India with its 1.2 billion people; the UK economy recovering its mojo; the German economy remaining a powerhouse; continued recovery in the US. Commodity prices – as always – will be cyclical. Seriously, things are, quite OK.

I will add to my **local and international portfolio** in 2016

Australia Sure, it is tougher in Western Australia and much better in NSW, the opposite of just a few years ago. But unemployment is reasonable, we are creating hundreds of thousands of new jobs in exciting new industries with good wages that keep our skilled youngsters here. As you hear and read negative information in the media, take a look around at all the new cars, the comfortable homes, clean cities and towns, cafes and coffee everywhere. And did anyone mention we Aussies will take some 11 million overseas trips this year?

Investment Global sharemarkets were pretty frothy in mid-2015. So my prediction for a year of decent returns in 2016 is made easier thanks to the falls in markets from midyear. In particular I was pleased to see China's market, which went up well over 50% in the first half of 2015, come back to near where it started the year. The Australian market is pretty much flat for the year and this is true of the US, the UK, Germany and Hong Kong. Japan is about 7% higher but nothing silly. None of these markets are cheap but nor are they expensive, thanks to the falls in August and September. I will happily hold my current local and international portfolio and add to it in 2016.

Property in our big east-coast cities is thankfully slowing in auction clearances. Sydney in particular was getting ridiculous and is still expensive. So prices, I believe, will slow and possibly even drop in some areas. But with our population set to be 35 million in just over three decades, long-term investors in this asset class should do just fine.

With interest rates I am in the "lower for longer" school. My and your term deposits are not attractive now, or likely to be in 2016. In fact, I think they will get worse. After inflation they basically return zero but, now I am 60, I appreciate their capital stability, so I will keep about 10% of my portfolio in them.

But do remember what I've said for 35 years: don't keep long-term money in the bank; own the bank through bank shares. I do.

Aussie dollar My guess has been really good the past three years, mainly because at $1.10 to $US1 it had only one way to go. And down it went. I am a bit stuck now, because its value is about average, neither low nor high. So my best guess is about the same – 65¢ to 75¢. Here I reckon I'll probably be proved wrong; currency forecasts usually are.

We'll see about that but we should realise the world is, in my own words, "the least worst it has ever been". We should enjoy our beautiful planet while we can.

GETTY IMAGES

BOOK OF THE MONTH

THE GREAT $20 ADVENTURE

Effie Zahos

Bauer Media Group RRP $14.95

Ideally, financial literacy is taught early in life. While your eight-year old isn't going to dabble in shares or invest in property, it certainly won't hurt to address the fundamentals such as saving and setting goals. A recent ANZ study reported that 18- to 24-year-olds are more disconnected than ever from money issues, so the learning should never really stop.

Money editor Effie Zahos has just released her first children's book, *The Great $20 Adventure*, written for the age group of two- to 10-year-olds. Main character Max takes the reader on an adventure with $20 he has received from Grandma for his birthday, learning some valuable lessons along the way.

Paul Clitheroe, chairman of the Australian Government Financial Literacy Board, endorsing the book, says money skills are essential in our complex world. "And the time to learn these skills is when you are young."

EMI BERRY

Ten readers can win a copy

In 25 words or less, tell us what strategies you use to teach young people about financial literacy. Send entries to Book of the Month, *Money*, GPO Box 4088, Sydney, NSW 2001 or email money@bauer-media.com.au. Don't forget to include your name and postal address. Entries close February 3, 2016.

THE BUZZ

Fixed loans are in focus

Borrowers weigh the cost as banks increase rates

Home loan rates are on the move and, for those with a largish debt, these apparently small adjustments can translate to a difference of tens or even hundreds of dollars in your repayment each month.

Many banks have increased their variable interest rates for owner-occupiers since mid-October (and the move upwards for investors starting several months before that) and borrowers wonder more and more whether now is a good time to fix.

Canstar's analysis of more than 160,000 home loan product searches on its database in 2015 has found a definite move away from variable home loan products by potential borrowers towards one- and three-year fixed-rate loans.

In March this year, more than 43% of visitors to our site were looking for a variable loan, compared with fewer than 35% recently, in October. By the middle of November the percentage of people looking at variable rate loans had dropped further, to fewer than 32%. Of course, that intention still needs to translate into action but it certainly shows that the fixed-rate loan interest is there.

So is it a good time to fix your mortgage? There's no one correct answer to that question, but, from a repayment point of view, history shows that borrowers have about a 50:50 chance of making the right decision.

Canstar's analysts looked at the average month-by-month variable home loan rate and the average month-by-month three-year fixed rate of the big four banks over the past 20 years. They determined that, since August 1992, there were 116 months when borrowers paid less over three years by fixing their mortgage and 127 months when they ended up paying less by choosing a variable loan. That's pretty close to a 50:50 bet!

What about right now, though?

Currently on Canstar's database the average one-, two- and three-year home loan fixed rates available are all lower than the average variable rates on offer. The lowest one- and two-year fixed rates are also lower than the lowest variable rates.

Keep in mind, of course, that to secure the "lowest" rates you'll need good equity and good negotiation skills. Good luck!

JUSTINE DAVIES, FINANCE EDITOR AND COMMENTATOR, CANSTAR

THE BURNING QUESTION

Can a house owned by my SMSF be renovated?

Andrew Yee, director, superannuation, HLB Mann Judd

The short answer is yes. However, there many rules and traps to watch out for if you are considering such a project.

In respect of the costs of renovation, payments for materials and labour generally can only be made by the fund and not by the fund member or a related party.

If any of the labour is carried out by the fund member or a related party (for example, the fund member or their relative is a builder), this must be authorised by the trust deed. Furthermore, these people should have the appropriate skills to carry out the work and they would need to be paid a commercial rate for their services.

Finally, the financial aspect of such a project may not be suitable for an SMSF, given that such a project may require a lot of capital. Remember, fund members are limited under the super rules as to how much they are able to contribute annually to their fund.

Furthermore, if the property is acquired by the fund with borrowings under a limited recourse arrangement, then the rules do not allow further borrowings to finance the cost of the renovations. Under this scenario, the renovations would need to be financed by the SMSF's existing funds, or by additional contributions made by the fund members.

JIM TSINGANOS

FREE MONEY

Pensioners who work

I'm on the age pension but an opportunity to do some short-term work has come up. How will this income affect my payment?

This is a great question to consider, as many pensioners think they can't participate in the workforce once they've retired. The good news is that they can.

The work bonus is an incentive for pensioners so that taking up short-term or seasonal work will lessen the effect on your payment rate, if any. It allows the first $250 of your employment income to be disregarded by the income and assets test.

If, in any given fortnight, your income does not exceed $250, the difference will be added to your work bonus balance – up to the full $250 if you don't work at all – which can accrue up to a maximum $6500.

This means if you only work for a certain period of the year, perhaps marking exam papers, your payment rate won't be affected until you exhaust the work bonus balance you have accumulated.

To find out more information about the work bonus, visit humanservices.gov.au/workbonus.

HANK JONGEN, DEPARTMENT OF HUMAN SERVICES

BOTTOM LINE

Credit card with a home loan rate

Home loan packages generally combine several products into a single bundle, often lumping you with products that you'll never use but you're happy to receive if it means you get that all-important package discount. Don't get me wrong, the discount can be quite lucrative but it does cost around $400 in annual fees, normally.

P&N, Western Australia's largest member-owned bank, has launched Home Loan & Bag, a product that makes a lot of sense. The thinking behind it is this: why not let consumers choose the products they want? And – even better: If we have their home loan, why not give then a credit card with a purchase rate that's the same as their home loan rate?

The product is simple: you get a low-rate variable home loan (4.15%) with free redraws and pay no establishment or monthly fee. It is available for owner-occupied lending up to 90% of the property value.

You can opt in for a credit card (no annual fee) or transaction account (no monthly or transaction fees, no minimum monthly balance). If you take up the transaction account, you can add an offset facility to the home loan.

As for the credit card, it comes with the benefits of a platinum card, such as access to a concierge service and complimentary insurance plans. Though not the first, P&N is among only a handful of lenders to link a credit card to a home loan rate. EFFIE ZAHOS

MONEY VERDICT

This lender has been listening to its customers. Home Loan & Bag is flexible and fair and makes good sense. It's effectively a package home loan but without the usual hefty package fee. Plus you get to add other products you may want. Best of all, if you do decide to take up the credit card, the purchase rate on the card is the same (variable) rate as for the home loan – 4.15%. (It has the usual 19.99% cash advance rate.)
Thumbs up!

FACE THE FACTS

Financial services seem to be behind the times. A recent survey for ING Direct shows women and men now share decision-making about all household spending – property, investments, insurance and other major items included – and the proportion of women solely or mostly responsible for finances is climbing. More than 40% of the women surveyed said they would be the primary decision-maker in a property purchase. And yet the industry markets products as if men still make the big calls. LINDSEY LEATHART

Women who are married or in a de facto relationship

SOURCE: ING DIRECT

APP OF THE MONTH

ServiceM8
Cost: free
OS: iOS only

ServiceM8 ("service-mate"), a cloud-based business administration service, has released an iPhone app to help small businesses manage their affairs on the go. Whether logging a new job or sending an invoice, ServiceM8 allows business owners to be in constant communication with employees and clients.

Not sure how to get to the next job? Connect to GoogleMaps directly from your activity feed for directions.

A handy feature is the instant quoting and invoicing. You can list all the tasks required to complete the job on the pre-loaded invoice, including photos. As soon as you finish a task listed on the quote, you can check it off, which sends it straight to the invoice. Once the job is done, you can digitally sign the invoice with your finger and email it to the client.

The first 20 jobs listed with ServiceM8 are free, with each one after that costing 50¢.

STEPH NASH

WHAT'S NEW

Travellers reap the rewards

Amex points can soon be spent on Airbnb stays

Peer-to-peer accommodation website Airbnb recently launched a new "fintech" program to add to its successful operations. In November it announced a new partnership with American Express, where holders of Amex cards can sign up, log in and book with Airbnb through their Amex account.

Amex rewards have also been extended for use with Airbnb rentals, so you can save up and use points for your travel accommodation. At present the facility is only valid for US-issued cards but it is likely to be rolled out across the globe.

It is expected Airbnb will announce a similar partnership with MasterCard in the US, after a test web page detailing a new Airbnb-MasterCard rewards scheme was made live accidentally on November 7.

ANZ owes bonus interest

It hasn't been a good year for the big banks. ANZ is the latest to face the wrath of the Australian Securities and Investments Commission (ASIC), after failing to accurately apply bonus interest rates to its Progress Saver Accounts (PSA) over a number of years. The bank now has to compensate some 200,000 customers, which will cost it up to $13 million. PSA holders qualify for bonus interest payments each month when they satisfy strict conditions. ANZ reportedly "misaligned" the monthly cycle that determined whether an account holder was eligible for a bonus. Current PSA account holders would have received a letter in the mail detailing the issue.

HECS loophole closed

A loophole for students trying to escape their higher education debts has been closed. Until recently, the federal government couldn't legally reclaim HECS debt from Australian students who live overseas. Initially proposed in the May 2014 budget, legislation was passed in early November requiring expats to repay all HECS and HELP debts. The change will come into effect in July 2017 and is expected to reap the federal government more than $150 million over the next decade. STEPH NASH

TAX TIP

Work expenses

Deduction for car use

Do you use your car for work? If so, you should claim a tax deduction for all those journeys you undertake while on business (excluding the commute between home and work).

Until recently, there were four ways of working out your tax deduction for work-related car use, of varying degrees of complexity. However, from the current tax year there are only two:

- Cents per kilometre. This is the simplest method but is available only if you use your car for less than 5000 business kilometres a year. Basically, you claim a set figure per business kilometre travelled. In the past, there were different rates depending on how powerful your car's engine was. Now there is only one rate – 66¢ per kilometre.
- Log book. You basically claim a proportion of all your car-related expenses, including fuel and servicing. It generally produces a bigger deduction but the need to keep receipts, log books, etc, can be a burden.

Depending on what you have done in the past, when you complete your 2015-16 tax return you might have to choose a new method. That might seem a long way off but, remember, if you adopt the log-book method you will need to keep a log for a typical 12-week period before the end of the tax year, and you'll have to save all your receipts. So you probably should start now.

MARK CHAPMAN IS DIRECTOR OF TAX COMMUNICATIONS AT H&R BLOCK. EMAIL MCHAPMAN@HRBLOCK.COM.AU.

GETTY IMAGES

A former high-flying banker gives those struggling a chance to achieve their potential, writes Deborah Light

Dream believer

IT'S THE BUSY SEASON for Adam Mooney and his staff right now. Good Shepherd Microfinance will see a 20%-30% spike in demand for loans from now through January – but these will have little to do with Christmas. His not-for-profit finance institution lends only for essential items, so gifts, food and other festivities are out. For them, increased demand has all to do with families under pressure gearing up for the school year: uniforms, iPads and laptops, maybe upfront payments for school camps. It's about making sure their kids can fit in; so that they're not picked on because they seem different. "It's about social inclusion," Mooney explains. "We see the dignity, the humanity, the human connectedness as being essential to living a full life."

His organisation, which includes partners such as NAB and Suncorp, offers no-interest loans on amounts from $300 to $1200 for household goods including fridges and washing machines, as well as medical and dental services and educational essentials. There are low-interest loans of $800 and $3000 for larger outlays such as a car, home repairs, maybe start-up capital. It also offers low-premium insurance and an incentive savings scheme – save $500 and it will give you $500 – to get people started.

"It's not just access to a financial service – it's also about financial capability building," says Mooney. "It's learning about good behaviours, understanding how to provide an economic context for your dreams and aspirations. Many think that people on low incomes should just get what they're given. We believe in everyone's ability to have dreams and aspirations that are valued; that can come to life."

ADAM MOONEY

Adam Mooney, 47, CEO of Good Shepherd Microfinance. Lives Bullengarook, north-west of Melbourne.

Formerly in senior roles with Reconciliation Australia and prior to that senior executive with ANZ Bank and Merrill Lynch, including chief financial officer. First job, holiday work as a builder's labourer, age 15.

In a given year Good Shepherd has over 30,000 clients and Mooney estimates that the organisation has helped 180,000 to date now via 670 outlets plus 1500 staff and volunteers – a network he wants to expand. Some 70% of clients are women – half of whom are single mothers – and another 25% are Aboriginal people.

Domestic violence hangs like a dark cloud over many of his female clients. "They come to us for money, but we identify that financial and physical abuse has been occurring," says Mooney. "We're training our workers – and a lot of big companies now want this for their own frontline staff – to have their antennae finely tuned for responses like 'My husband doesn't really like me earning income' or 'My partner told me he was using my good credit record because he couldn't get a loan.' That enables us to refer women to the right services or for us to have a conversation with them."

Pressures in a changing workforce have meant a recent change in demographics, Mooney notes. "We're seeing more families financially stressed and the casualisation of the workforce is a very substantial factor. It's happening in the professions of nursing, welfare, education and community work – where women are over-represented. The banks aren't lending to those sectors because of income variability. So you might have a six- or 12-month contract and nothing beyond that. Banks don't like it."

Mooney also notes another change with concern. "There are more people with a job and reasonable income, earning $60,000-$70,000 – who meet the definition of middle-income earners – but they simply can't keep pace with the cost of living. They come to us needing a loan, saying 'We need a bit of a break, some time out'."

Mooney brims with energy and enthusiasm. Not yet 50, he's a former senior executive with ANZ Bank and Merrill Lynch who veered out of the fast lane – where his salary was three times what it is now – while he was in his 30s because he wanted to work with the community. Mooney and his partner Louise now live on 60 hectares outside Melbourne with a daughter and twin boys, plus "alpacas and chooks". On how he wound back his

EAMON GALLAGHER

"We believe in everyone's ability to have aspirations that are valued"

high-earning lifestyle he says: "There's a stage where you say, 'I'm comfortable.' We owned our own house and had two investment properties. Louise and I said we can sacrifice two overseas holidays a year. I'm also a firm believer in the state education system. It was a conscious choice: there's only a finite amount of economic resources to go around. It's in our interest to live fairly alongside other people and not to say that my wellbeing is determined by my relative superiority, economically or culturally."

He joined Good Shepherd three years ago, when it became independent from the Good Shepherd Sisters in Collingwood who founded this concept nearly 35 years ago. He has high praise for their foresight. Ignoring the advice of lawyers and accountants, they established a pool of $20,000 to lend, largely to women who had come to them for help but not handouts. "Beyond the financial transaction something else happened. Someone had looked these people in the eye and said, 'I back you. I believe in your dignity. I don't want to be able to recoup the goods, I simply trust you.' Six months later all of that $20,000 had been repaid and that gave everyone confidence that this was something very powerful."

That pool has now grown to an annual $30 million, with another $130 million of capital available, interest free, from National Australia Bank. Mooney adds with a grin: "Ninety-seven per cent of our loans are fully repaid, confounding the sceptics that say people on low incomes aren't good for it." The service doesn't have to compete with banks on the usual measures – like market share or return on shareholders' funds. As a result, Mooney says: "We're patient. We don't outsource our [debt] collections but we do call after they're due to check if everything is OK."

The organisation is funded by federal and state governments, persuaded that financial independence means less dependence on the public purse down the track. "Four out of five of our clients realise economic mobility," says Mooney. "They become main bank target customers, which is fabulous." Where Mooney seeks public donations is to help Good Shepherd expand its network and hire more microfinance counsellors.

This time of year, there's another sector gearing up for a busy season because Christmas brings additional tensions for those already

Mooney sees money as a means to an end.

under financial stress. "The end of the year is coming, they may be invited to be with the family but they can't afford to buy gifts," Mooney notes with dismay. There are usually other pressures on the household budget: the kids are on holidays, maybe the energy bill is rising because the air-conditioning is on. That's when people become vulnerable to the controversial payday lenders, where interest rates of 300% and more are common. "People want to give gifts and they will borrow to do so. This can be the start of their entanglement with payday lenders who want it paid back in January. It's a time of high anxiety."

The sector comprising payday lenders and goods rental (where you pay off an appliance over years while you have use of it and it can end up costing way above ticket price) has ballooned from $100 million to $1.2 billion in a decade. Mooney believes these operations fill the gulf that has been opening up since mainstream banks – under pressure from regulators to lift capital reserves – began abandoning the small loans sector. "The consequences are that people who can afford the least to pay for financial services are paying the most. These lenders make money from a vulnerable part of the community and entangle them in cycles of debt."

> "Payday lenders make money from a vulnerable part of the community and entangle them in cycles of debt"

Mooney's inspiration for his career change came over time, observing need, sacrifice and inspiration. One shocking episode happened during a career break from ANZ when Mooney first worked with microfinance in Cambodia. There he saw a young woman beaten to death and later learned she'd been a part-time sex worker killed by a disgruntled client. She'd been trafficked by her uncle who, along with the bar owner, had been taking a cut of her wages. It struck Mooney forcefully that, through no fault of her own, she'd been made vulnerable by her lack of economic independence.

Another major influence has been his family. His father Bill, formerly an elite athlete, became a quadriplegic after a diving accident aged 16. Now 73 he defied prognoses that he'd die by age 30 and meanwhile became a successful artist and writer who's raised three children. His mother Irene was Bill's nurse, and an actress too. "Their love, their commitment to overcome adversity and have full life and family is what made me find this work in social justice," says Mooney.

Mooney's parents had struggled to find a bank to lend for the family home, even though both parents had regular income. "The banks couldn't see past someone with a disability. That conservatism coloured my mind about banking." Nonetheless, he became a banker, having fallen into accounting. "I loved it. The discipline, the philosophy and psychology connected to economics. I didn't go into banking as a moral crusader, it was a great opportunity to learn." Recalling what his parents taught him, Mooney says: "No one measures your happiness by your bank account. Money is a means to an end. Anything is possible. You're in control of your own destiny. It had a big, big impact."

EAMON GALLAGHER

Melissa's priority should be to ...

Build valuable work skills

Q I am 25 years old. I have $15,000 in savings, $8000 in super and that's pretty much it. I earn between $560 and $610 a week working part time. I feel very far behind others my age. I try to save around $200 a week. I would like to buy a property in Sydney in a few years. Do you have any advice for me?

A Well, it may or may not make you feel any better, but at age 25 I owned a Datsun 1000, worth around $300. Fortunately I did have a job and so could eat, pay rent and have a few beers with my equally destitute mates. Clearly you have far more financially astute friends than the typical 25-year-old of my experience, who has no assets and an average of $5000 in credit card debt, a bit of research shows me. So I reckon you are killing it.

You mention you have no debts and around $23,000 in total savings. You have a part-time job, so I am thinking you may be studying. And that really is my key advice to you. You are clearly articulate; you are financially savvy as you are not in debt and are concerned about your money; and you have a plan to buy property in the future.

So let's not fret about your wealth compared with other 25-year-olds. You are doing much better than average. I want you to invest in your most important asset – you. Do what it takes to build work-related skills and keep your eyes open for opportunity – your own business or working for someone else. Either way, the real goal is valuable work skills.

For Marissa the safe property route is ...

Bigger home, small mortgage

Q My husband and I are both 36 with two children under four. My husband earns $107,000pa while I work part time earning $24,000pa. We own a property worth $650,000 with no mortgage. We have $140,000 in savings plus $15,000 in our son's bank account to which we contribute $100 a month. We also have $40,000 in a UK bank account.

We need to upgrade our home and want to purchase another property to live in. We would rent out our current home, which would pay a percentage of the loan repayments for the new home. The loan would be $700,000 with monthly repayments of $2000 (based on current rates). Is this a wise strategy?

A Marissa, you are making me a little nervous. You are in a great position in your mid-30s. I'm worried that if you rent your current home, you have no debt on it and your rental income will be taxable. The repayments on $700,000 you borrow to buy a new home, even if you borrow against your current property, will not be tax deductible.

A loan of $700,000 at around 4% will, if paid off over 25 years, be about $3700 a month. When rates go to more normal levels, say 6%, this becomes some $5000 a month. Sure, you would have rent from your first property to assist with repayments but don't forget this is taxable income.

Here we go to risk and return. If you buy a second property and hang on to the first, if all goes well and rates stay down and property prices move up, you will look like a genius. If rates rise, you lose your tenant or anything goes wrong you will look very crook indeed.

Our market is pretty overheated. A safe route is to sell and buy a bigger home with a small mortgage. Either way, I'd bring those Aussie dollars home and reduce your mortgage. Personally, I'd be very wary about taking on non-deductible debt to buy into a hot market.

GETTY IMAGES

If Ian can wait a few more years ...

Super will be tax free

Q We are a couple in our late 50s planning to retire at 60. Between us we have $1 million in super. We don't own a family home, having sold this several years ago to downsize but never got around to purchasing anything and have been happy renting. With the changes to the age pension assets test, would it be a better option for us to buy a home and then receive some age pension when we reach 67 (our pension age)? The timing seems important too, as all our savings are in super and, as I understand, not accessible until retirement (for us at 60). Or is there some way we can access our super before retirement if buying a family home? In our location we could purchase a very nice home for $350,000 to $400,000.

A Ian, this is a really complex set of issues you have presented me with. I will have to recommend you seek personal advice but let me give you a couple of thoughts.

You could access you super through a transition to retirement (TTR) pension while still working. This gives you access to up to 10% of your account balance each year but income payments would still be taxable while you are under 60, so it's probably not attractive compared with waiting until 60, when withdrawals will be tax free. In fact, now is a prime time to be maximising salary sacrifice to super.

In terms of the assets test, the projected threshold for a non-home-owner couple as at January 1, 2017, will be $1,023,000. So, given a few more years of contributions and then retirement and drawing down on super before age pension age, you are likely to qualify for a part age pension at least, and then also get rent assistance if renting. If you do buy a home, the home owner asset test cut-off is projected to be $823,000 at January 1, 2017.

I really do want you to get personal advice – this is too important for a few words in a column and I do not know key things such as your salary. But my suspicion is that you may well be advised to buy a home after 60, when you can withdraw from super tax free and supplement your super pension with an age pension.

If you don't have an adviser, go to the Financial Planning Association website and seek out a fee-charging adviser with CFP qualifications.

Mark is right to be worried about ...

High insurance premiums

Q I recently looked at my super fees and insurance premiums for life, TPD and income protection. This amounted to $3000. Premiums mostly come out of my super. On top of this are other fees of about $1500. I estimate my employer contribution for super is around $8900. I am 42, earn $94,000 a year with a home loan of about $220,000. My wife earns about the same and her insurance premiums are even higher. We have two children, aged nine and 11.

Needless to say I am concerned how this will impact my super down the track (current balance is $90,000). I sought the advice of a new financial planner as I was concerned about the high fees of my previous adviser. Again, I was strongly advised this was the required amount of insurance. An online calculator estimated fees and insurance premiums will reduce my super balance by almost $80,000 come retirement at 60. Should I be concerned?

A Hi Mark. Those fees are chunky for a 42-year-old. Old blokes like me expect high premiums as we are high risk but you are not. Unless your wife has a medical history or is a heavy smoker, I am really surprised her premiums are higher again.

It is terrific you sought a second opinion and were advised the insurance is correct and the premiums are appropriate. But I am a bit bamboozled. Are you a professional mountain climber or in some high-risk occupation? I popped onto the iSelect website with your age and income and quickly got an estimate for death cover of $235,000, income protection payment of $5625 a month, plus TPD and trauma: $103.14 a month. I am no insurance expert but I'd be doing some online comparisons. Also, check an industry fund site such as AustralianSuper and get a quote from them.

You do need to have the right amount of cover, but your premiums look too high to me.

Retrenched Ann wants less ...

Stress over loan repayments

Q I'm 60 and was retrenched from the TAFE sector after 25-plus years. I have a mortgage, after a failed marriage, of $270,000 and can access my super, which is $290,000. I have a portfolio of shares valued at about $20,000. My casual work lasts week-to-week and covers my repayments of $1700 a month. Should I pay off my mortgage and hope my casual work will continue, or reduce my mortgage and my repayments to have some extra cash, or is there another option to stay afloat?

A This is a tough one. I have tossed and turned on the best way for you to go. I hate pulling money out of super as it should earn more than the interest on your mortgage, but I sense the stress in finding the $1700 a month based on week-to-week casual work.

I am really hopeful the house is worth a lot more than your mortgage but, either way, at some point it would be great to see you mortgage free. If you plan to stay in your home, I would suggest using your super money to pay down the mortgage to a comfortable level. This is your call, but stressing about earning the $1700 a month is not a good way to go.

This is the "other option": pay down part of the mortgage and keep a decent amount in super. What a comfortable level will be is dependent on your confidence in the casual work continuing. Technically – because of very low mortgage rates and the tax-free environment your super is in as you are over 60 – while you can manage the repayments, your money should do better in super. I presume you have converted your super to a pension, so the earnings inside the fund are tax free. If not, talk to your super fund.

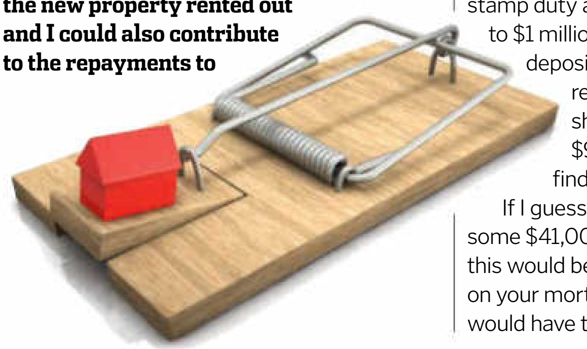
For Carole, a $700,000 mortgage is a ...

Dangerous amount of debt

Q I am 47 and work full time earning about $55,000. I own my house, worth $280,000, have shares valued at about $14,000 and have a little over $300,000 in term deposits. I also have two super accounts – one being salary sacrifice, which has $100 a fortnight added and is about $40,000, while the standard account has just more than $100,000.

I would like to buy a property, which I assume will cost $930,000, that I'd eventually live in. I have thought to have the new property rented out and I could also contribute to the repayments to have it paid down sooner, enabling the sale of my current house to pay out the loan in years to come.

I would value your suggestions on how to put the idea in motion. I would not hesitate to get solid advice from a fee-charging professional, though who that should be is another question. What checks do I need to do?



A Carole, you are in a really solid position and I am really concerned about the $930,000 property. I suspect after stamp duty and costs this will end up close to $1 million. After using your term deposits, your mortgage will be in the region of $700,000. The property should rent for some $700 to $900 a week – it is critical you find out exactly what this would be.

If I guess $800, then you would have some $41,000 a year in rent. Less all costs, this would be around $30,000. The interest on your mortgage would be $35,000, so you would have to subsidise the property by about $5000 a year, based on my guesstimates. This expense would be tax deductible.

Crikey, it is a big mortgage for someone on a $55,000 salary. If you lost your tenant or interest rates went up, things would go bad very quickly. Even if you sold your home and moved in, your mortgage would still be more than $400,000, which would eat up a lot of your salary. I really think you might be taking on too much here.

A second opinion is always good. Contact the Financial Planning Association to find a fee-charging, qualified planner. I would be surprised if he or she disagrees with me, but it is worth paying to get good advice.

DO YOU NEED PAUL'S HELP?

Send your questions to:
Paul's Answers, *Money* magazine, GPO Box 4088, Sydney NSW 2001 or money@bauer-media.com.au.
Sorry, but Paul can't personally answer your questions other than in the Q&A column.

GETTY IMAGES

PAUL'S VERDICT

Have we missed the property boat?

My partner and I rent and are considering buying an investment property. We have $10,000 saved. I am 47, earn about $65,000 a year, have $220,000 in a defined benefit super fund and have no debts. He is 42, earning about $58,000 and has a mortgage ($248,000 owing) on an investment property from which he receives $1080 a month in rent after agent fees, paying an interest-only mortgage. He has a car loan owing $10,000.

A recent valuation of the property came back as $280,000, which we considered too low. I have thought about using part of my super fund as a deposit, but this would mean the fund would then become an SMSF, and I'm unsure if this would be a good idea. We really want to get into the property market, especially as I'm not getting any younger and I'm thinking I may have missed the boat!
Paul

PAUL'S VERDICT: YOUR CAPACITY TO SAVE SHOULD BE YOUR FOCUS
A year should produce a deposit and you will be able to build wealth rapidly

Missed the boat? No need to worry about that – you are both spring chickens in this amazing world with such a dramatic increase in life expectancy. Even in the 32 years of running my business, life expectancy has increased by more than seven years. I doubt that anyone would be unhappy about living longer, in particular as we are also healthier. I do get a few grumpy types saying it will be more years "waiting to die" but I don't buy that. Every piece of evidence is that as we live longer, any period of disability is getting shorter, thanks to modern medicine.

So, at 47, your life expectancy is about 34 years. Your partner is a little younger but his is not dissimilar. Now I don't expect nor need you to work for another 34 years but, seriously, you should be thinking 20 years or so. This is the first reason you have not missed the boat.

The second reason is your capacity to generate wealth through savings. You have $10,000 and that is great. It tells me you can budget and save.

Now we need to discuss how motivated you are. You have no debts, your partner has a mortgage but the rent should be covering the current low rate of interest. He also has a $10,000 car loan.

But from your combined income of $123,000 you would clear close to $100,000 a year after tax. This, in anyone's language, is a big bucket of money. Personally, I'd leave your defined benefit super alone. I think the focus is your capacity to save. If you could live on $1000 a week, which I don't think is very radical, you can save $50,000 a year.

If the property market was soaring, I can see you being concerned that it would rise faster than you can save. But our market typically does a big leap, as it has done in Sydney and Melbourne, and then slows, often treading water for years. After a big jump in prices, we even see falls. I don't see a big correction as our population is growing so strongly but I would be surprised if the market jumped strongly in value in the next few years. Perth is now very soft and Sydney is slowing – going backwards in some areas.

Naturally it depends on where you live and where you want to buy. Every market – city, regional and rural – has its own characteristics in terms of jobs, public transport, education, health, leisure and so on, and you need to take these into account. I would buy only where I saw population growth. And we all know what people value when choosing where to live.

You say you are desperate to get into the property market. Well, I think the future here is entirely in your control. With some savings now, positive equity in your partner's investment property and a good level of income, you really are in a position to build wealth rapidly.

So my advice is simple. Do a budget and set and monitor your cash flow. And start looking at locations and the type of property you want. If you turn your existing $10,000 into, say, $60,000 in a year or so, it seems to me that you have not missed the boat. In fact, you can jump aboard quite rapidly.

ASK YOUR QUESTION

If you have a question, email money@bauer-media.com.au or write to GPO Box 4088, Sydney NSW 2001. Questions need to be 150 words or less and you must be willing to be photographed. Readers who appear on this page will receive a six-month subscription.

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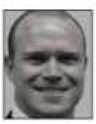
THE DILEMMA

Regular saving won't build enough assets

Knowing that "just saving" wasn't going to hit this young family's goals, we needed to look at something more tailored to the time frames, risk profiles and knowledge bases of the clients.

We settled on a strategy we call "debt recycling" – simply put, this draws an investment loan (tax deductible) against the family home, which is then used to invest in growth assets (shares and managed funds). All income generated by the investments and tax savings are then paid directly into the home loan (not tax deductible). This obviously pays the home loan down at a faster rate, so we "redraw" those additional savings and allocate that towards buying more growth assets.

Theoretically we're transferring non-deductible home debt into tax-deductible investment debt, which in turn produces more income to pay off more of the home loan.



Michael Horan, CFP®, is a partner at CA Financial Services, a group with over 30 years' financial planning experience. The clients' goals and having reasonable steps to achieve them are the most important aspect for Michael. See cafsg.com.au for details.

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Name: Ean and Rachel, 40 (with children aged three and one)
Monthly savings: $1500
Goals: Utilise home equity, build assets outside super, fund private schooling (in eight years).
Their situation: Strong capital growth in their home and plans for private schooling led to a shift in focus to long-term wealth.
What's the problem? Conventional savings approaches (such as paying off the home or an education bond) meant the family fell well short of their goals. They needed to take on additional growth assets in a tax-effective manner.

Steps for accumulating longer-term wealth

1 GET THE RIGHT STRUCTURE AND FINANCING

We used a "master limit" mortgage structure. This allowed the creation of a line-of-credit facility that would allow a loan up to 80% of the equity they hold in the family home and could be drawn down as required for investments. Also, interest is only repayable once a loan is drawn down so the facility could be held at 80% but would not attract interest until the funds were used.

For the investments, we used a wrap account, which allows investment in both shares and managed funds while ensuring all taxation and administration is managed by the platform.

So now they have flexible loan structure and investment platform.

2 SET UP CASH FLOW AND INVESTMENTS

Based on expected high volatility in 2015-16 we settled on a moderate upfront investment and higher monthly investments drawn automatically from the line of credit to the investment platform. Any interest payable is taken from the offset account, which has three years' worth of investment loan interest in it (a risk mitigation tool against cash flow uncertainty).

All surplus cash flow and distributions from the investments are paid into the home loan, so it is paid down at an accelerating rate. The next step was to "optimise" this situation by increasing the investment line of credit and continuing to invest in growth assets.

3 EIGHT YEARS – BUT THE LONGER THE BETTER

Reviews will be done half-yearly or more frequently as required. Based on this debt-recycling approach we expect the following outcomes:

- Annual tax deductions for interest paid on the investment loan.
- The non-tax-deductible home loan is paid down faster.
- Investment capital growth means that in eight years Ean and Rachel could sell the investment portfolio, repay the investment debt and be likely to have enough for the children's education.

This is a strategy that plays out over eight years as a minimum. The longer the time frame, the more effective it becomes as the investments grow.

MY MONEY

FINTECH

How the revolution can save you money

Chris Brycki,
Stockspot

The incorporation of forward-thinking technology is taking the finance world by storm – so much so that a new breed of technology-focused financial start-ups ("fintech" for short) has emerged to change the way local consumers manage their money. In doing so, they are slashing, or in many cases eliminating, wasteful bank fees and charges. For example:

- Currency transfer fees will be a thing of the past thanks to the arrival of peer-to-peer (P2P) currency transfer services such as TransferWise and CurrencyFair. These fintechs match people looking to swap currencies and their fees are 70%-90% lower than bank fees.
- Investment fees are a drain on our savings and cost us $23 billion a year. Australia's first automated investment service, Stockspot, is taking on the world of high investment fees and account minimums by offering a low-cost online investment platform.
- Brokerage costs will fall thanks to tech-focused brokers such as Bell Direct, which offers much better rates, and global players such as Robinhood, a commission-free brokerage app, entering the market. Robinhood launched in the US in March 2015 and already has hundreds of thousands of users. CommSec will struggle to keep charging 0.4% per international share trade when Robinhood offers the service free.
- Personal lending rates from peer-to-peer lending businesses such as RateSetter are challenging the bank model by creating a marketplace for loans. People with savings can set the rate they're prepared to lend at and private borrowers get a fair market price for their funds.
- Credit card surcharges are often passed onto consumers at the checkout but Tyro, the only competitor to banks in card transaction processing here, will break down the stranglehold banks and payment companies have over merchant payments.

GST increase put to the test

The Turnbull government's proposition to raise the rate of our GST has had a mixed response. While it would help with the government's healthcare and social services budget, many fear the higher cost of living would further disadvantage some who use these services.

Several changes to the GST have been suggested and three were put to the test in a report, commissioned by the Australian Council of Social Services (ACOSS), from the National Centre for Social and Economic Modelling (NATSEM).

It found that while the current GST rate of 10% raises 13.4% of its revenue from the bottom 20% of income earners, extending it to more products, or raising it by 5% to 10%, would increase the divide between rich and poor. NATSEM noted that while top-quintile households would spend more in dollar terms, a GST increase would have a greater impact on the lowest-income households, which spend a bigger proportion of their income on the GST-taxed everyday essentials.

Even if an increase were cushioned by a reduction in the income tax rate, the report found that the consequences of that would be more damaging than a GST increase alone, as those who earn more benefit more in dollar terms from an income tax rate cut. It's a double-whammy: the lowest two quintiles would be worse off on average by $1700 a year while the top two quintiles would be $3600 better off.

The government says any GST changes will be accompanied by extra assistance to low-income earners, which ACOSS says would ease the burden for the disadvantaged. STEPH NASH

Impact on weekly household spending power of a 15% GST and 5% income tax cut, 2015-16

SOURCE: ACOSS

INSIDE MY MONEY THIS MONTH

When interest-only is OK

The loan may cost more but there are valuable tax concessions, writes Effie Zahos

THE AUSTRALIAN SECURITIES & Investments Commission (ASIC) is cracking down on interest-only loans. After an eight-month investigation, the regulator found many lenders had been falling short of legal standards in assessing applications.

I'm all for responsible lending and in most cases I'd say you should pay principal and interest (P&I) on your loan. But let's be real here. The combination of negative gearing and concessional capital gains tax means interest-only (IO) loans can make sound financial sense. Here are three strong reasons to pay interest-only:

Flipping your home loan

When you flip your home into an investment you want to be able to claim the highest possible tax deduction. Paying P&I while it's a home loan will reduce later interest payments and hence the possible deduction.

Smartline mortgage adviser Scott McCray suggests you pay interest-only on your home loan and put extra repayments in an offset account. This may mean a slightly higher rate, about 0.27% more. "For tax effectiveness it is better to put the extra funds into a linked offset account instead of the loan," he says.

Let's say you have a $450,000 loan. If over time you put an extra $100,000

into your offset account, you still have a $450,000 loan but only pay interest on $350,000. If you convert the property to an investment, you'd have a $450,000 loan and you could claim the interest as a tax deduction. But if you'd put the $100,000 directly into the loan, it would be cut to $350,000 and, when you convert, you can claim only the interest on $350,000.

Cut non-deductible debt

On a $450,000, 30-year investment loan with an interest rate of 4.25%, the difference in monthly repayments between P&I and IO repayments is $519 a month (assuming a loading of 0.27% on the IO loan). If you put this extra cash back into your $450,000 home loan you could save $120,000 in interest and shave nine years off your term. Plus, you'd maximise the tax benefits on your investment loan. Not a bad reason to be paying interest only!

Mortgage Choice CEO John Flavell says this strategy applies even if you don't have an investment loan but do have other personal debts at a higher rate.

"The interest rates charged on unsecured debt like car loans, personal loans and even credit cards are, generally speaking, considerably higher than the interest rate charged on a home loan," he says. "It makes sense for property owners to use the money they save by making interest-only mortgage repayments to pay down their various non-tax-deductible debts with higher interest rates first."

You plan to sell in a year or so

This could backfire if the property market slumps sharply but the idea here is that you minimise your mortgage repayments in the short term while your property value and your equity grow (or after your equity has grown). Hotspotting reports numerous Sydney suburbs are up more than 20% in the past year, including Carnes Hill, Liverpool and Moorebank, so this strategy would have worked well.

Of course, hindsight is wonderful but not something you can rely on for future strategies. There are drawbacks to interest-only loans, which is why ASIC is concerned. As Flavell says, "paying interest-only frees up your cash flow but if you end up using that extra cash to pay for day-to-day 'stuff' rather than for additional investment or to pay down other debt, it could well be wasted money". Then there's also the risk that if rates go up and property prices down, an interest-only loan could leave you with negative equity. Plan IO loans wisely.

Money's editor has more than 19 years' experience in the finance industry

SPEND YOUR CHRISTMAS WISELY

Avoid festive financial strife this year by following these few tips to make sure Christmas is about only family, friends and fond memories:

1. Set a budget and stick to it. The Christmas tree can still be full of gifts, even if they all come within budget.

2. Shop with what you've got. Avoid dipping into savings or using credit cards to buy gifts with money you don't already own.

3. If you do shop on a credit card, pay it off quickly and within the interest-free period, otherwise your budget will automatically blow out because of the interest owed on your credit card.

4. Better still, shop with loyalty points or on rewards programs. If you never use your rewards program, make the most of it at Christmas and redeem rewards for gifts.

5. Hold on to your receipts so you have a realistic idea of how much this Christmas cost you. It'll make it much easier to plan for next year.

Called to accounts

Getting expert help can improve efficiency and keep the tax office happy, writes Anthony O'Brien

AFTER STARTING TWO SMALL businesses, I've learnt from experience that maintaining the accounts is critical to staying afloat and keeping the tax office at bay. Mercifully, with the assistance of an experienced accountant and bookkeeper, along with online software packages, it's possible to keep a neat set of books and even generate some decent cash flow.

The accountant Opt for someone who has small-business experience and "speaks your language".

"The way an accountant explains things should match your level of understanding," says chartered accountant Paul Meissner, the director of Melbourne-based 5ways Group. "They must be commercial and practical."

An accountant should present a straightforward cost structure for their services and a fixed fee often works best for many start-ups, Meissner says. A business expecting to make a few hundred thousand dollars in turnover in its first year should expect to pay $600 to $700 for ad hoc advice. "Expect to pay between $150 and $250 a quarter for the preparation of a business activity statement."

The bookkeeper The advent of cloud computing software packages, such as Xero, has disrupted the world of bookkeeping. However, quality bookkeepers still have a role to play. "There was a lot of work that bookkeepers did, which they probably shouldn't have undertaken, such as typing out bank statements or manual data entry," says Meissner. "Now the quality bookkeepers are chasing down debtors, analysing the expenses and giving business owners an accountability partner."

Katarina Vencel, a CPA (certified practising accountant) with Sydney-based Vencel & Co, says it's a mistake for owners to allocate time to bookkeeping when they should be concentrating on the business.

As a rough guide, expect to pay between $50 and $70 an hour for bookkeeping. "Technology can help to shave the costs of bookkeeping," says Vencel. "Using the likes of Xero, MYOB or QuickBooks' Intuit can save some bookkeeping time, as they can do some of the data entry." And cloud-based software makes collaborating with your live advisers very efficient.

The software. Check the websites of Xero, Intuit QuickBooks and MYOB for their features and then talk to colleagues, your accountant or bookkeeper about the most suitable solution for your business.

While Meissner says price should be the last consideration, New Zealand's Xero offers its Starter plan for new businesses for $25 a month. The package manages the payroll of one employee, can raise five invoices a month and 20 bank transaction reconciliations. QuickBooks has a $15-a-month start-up package (without payroll) and Essentials is MYOB's most affordable package at $29 a month (again, payroll for one).

Meissner says that understanding the requirements of your business trumps price every time. "Job costing and inventory tracking currently set the software packages apart," he says.

"Xero doesn't do great job-costing or inventory-tracking without the help of an add-on, which can be expensive." Xero uses an app called TradeGecko (tradegecko.com), which costs an extra $79 a month.

Vencel advises new business owners to consider whether they'll be employing people and paying wages and super, and then compare the accounting software packages on that basis. "MYOB, for example, offers payroll but it will cost you more a month as you add more employees," she says. Xero includes up to five employees in its Standard subscription package.

Anthony O'Brien is a small business and personal finance writer with 20-plus years' experience in the communication industry.

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Benefits of benevolence

Supporting a worthy cause can also bring family members together, writes Susan Hely

DO YOU HAVE A CAUSE THAT YOU are passionate about? Do you involve your children in it? Giving to a charity can strengthen families. As soon as you start giving kids money, teach them about saving part of it for a good cause.

Tabitha Lovett, the general manager, philanthropy, at Equity Trustees, often asks people who are keen to donate which are the issues in life that trouble them. "I ask, 'What are the causes that you feel you need to support? What does your family want to be connected with?'"

Giving to a good cause will develop family togetherness. "They are talking about the world, about equity, disparity and helping. People think how fortunate they are," Lovett says.

There are many causes: sick children, remote indigenous communities, refugees, climate change, endangered animals, medical research or scholarships for the disadvantaged. There are also many different ways to contribute.

You can make a donation to a charity and, if it has the status of a deductible gift recipient (DGR), you can claim a tax deduction. Another way is to set up a philanthropic trust. You don't need to be wealthy to do this; you can start with as little as $20,000. Since 2011 families have been allowed to set up a private ancillary fund (PAF) and get a tax deduction for their philanthropy.

At Equity Trustees, Lovett is in charge of managing 450 charitable trusts that distribute a total $80 million each year.

An advantage of setting up a philanthropic trust and adhering to tax office guidelines is that it is tax effective. Lovett says there are three main types of philanthropic vehicles: a sub-fund within a public ancillary fund that requires minimum capital of $20,000; a private ancillary fund that needs a minimum of around $300,000; and a testamentary trust with $50,000.

You set up the first two while you are still alive whereas a testamentary trust is created in your will. But an obvious issue in setting up a charity that begins operating after you die is that you aren't around to experience the good deeds. Also family members are notorious for challenging a will over the mental capacity of the benefactor, so your intentions could get thwarted.

Private ancillary fund holders need to be sure that their grants are only made to organisations that have what is known as "Item 1 DGR status" and are eligible to receive money from private ancillary trusts. There are also rules about how much you distribute.

One of the most popular causes is medical and health research, which has been hit hard by government funding cuts.

Lovett says a new trend is for charitable foundations to provide seed grants or no-interest loans to set up a community social enterprise that will become self-funding, such as Women's Property Initiatives, which provides low-cost housing for women and children.

Susan Hely has been a senior investment writer at The Sydney Morning Herald. *She wrote best-selling book Women & Money.*

CHARITY CHECKLIST

It is never too early to start the tradition of giving. Volunteering your time as a family can provide a better perspective and understanding of the world.

Have a box for small change. Save $39 and buy a goat through Oxfam for a family living in poverty. Encourage children to set aside some of their pocket money to go to a charity. Some families have a 5% or 10% rule so that it is automatically deducted.

Engage in school volunteering and giving programs. Some schools require their students to work with disadvantaged groups to qualify for a reference. Choose a charity as a family. Discuss the issues that concern your children. Research the charity and stick to one with a solid track record.

Think outside the box. Is there a crowd-funding venture or social impact documentary that your family would like to support?

Consider setting up a public ancillary fund or sub-fund endorsed by the tax office. They allow you control the investment strategy. Income generated by a PAF's investments is tax-free so that the funds available each year are not depleted through tax.

Or you could leave it up to a professional charity to direct your money to good deeds.

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CASHING IN

Buy and flip, or hold?

Experts give their view on maximising profits

Cherie Barber,
Renovate for Profit

For me, buying, renovating and holding is the best option. You get three big benefits: the instant uplift in property value – and therefore equity – through clever renovation; rental income after renovation, usually at a premium to the suburb average; and long-term capital growth. If the income doesn't cover costs, then you have a negative gearing tax benefit.

I recommend holding for about 10 years-plus to get solid long-term capital growth. But you need to buy astutely. If you pay too much, you blow a lot of your potential profit.

I maintain for every dollar you spend on your renovation budget, you'll get $2 back; for a cosmetic renovation, spend 10% or less of the property's value. And obviously the quicker you get in and out with your renovation, the lower your holding costs.

Andrew Fawell,
Beller

Long-term holding will obviously give more consistent returns. Flipping has a lot more inherent risk but greater short-term potential upside. Most investors don't take into account the full benefits of holding newly developed property, which includes retained profits, depreciation, not paying the GST after holding for five years, the capital growth aspect and consistent cash flow and rental upside.

When flipping a property, by the time you strip out all associated expenses, including stamp duty, holding, selling and advertising costs and capital gains tax, what is the real return? If you don't have another development and can't repeat the process immediately, the actual return will be diluted – amortised over a greater period of time – which often is not taken into account.

A stellar year for funds

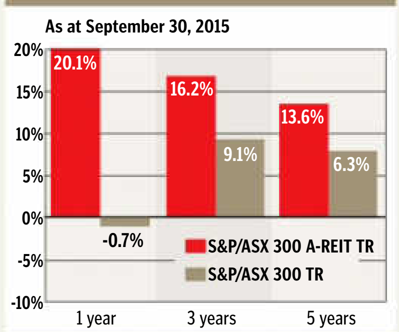
If you're nervous about residential property, why not consider an investment in the commercial property sector? Record low interest rates have driven demand for the sector from local investors looking for income and relatively stable capital preservation over the past 12 months. And the weaker dollar has underpinned strong offshore demand for Australian assets.

Australian property securities funds have performed strongly. SQM Research's review of the domestic property securities sector shows that the S&P/ASX 200 A-REIT Accumulation Index's total return was 20.3% in the 12 months to June.

But SQM warns that 2015-16 may not be as rewarding. Volatility in markets looks set to continue, given local and global uncertainty. Perhaps an indication of slowing was the annual return for the sector to the end of August – 14.2%, down some 20% on that to March 31.

Nevertheless, commercial property funds are defensive assets, where tenants tend to be contracted on long leases, in some cases 20 years. Moody's Investors Service recently gave the sector a "stable" outlook for the next 12-18 months, with the expectation that income will increase slightly. STEPH NASH

TOTAL RETURNS



SOURCE: BLOOMBERG, SQM RESEARCH

INSIDE PROPERTY THIS MONTH

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A lot more bang for your buck

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You can get start a portfolio with as little as $500, writes Pam Walkley

INVESTORS WHO ARE LOOKING FOR diversification can get a stake in a local or international property portfolio with as little as $500 through an exchange traded fund (ETF). If you have a little more, $1000, you can buy into a local award-winning property fund via the ASX's mFund settlement service.

mFund enables you to buy unlisted managed funds through your stockbroker, eliminating the paperwork and identity checks normally associated with buying unlisted funds. However, not all brokers offer the service.

Real estate investing through the ASX offers you the choice of Australian real estate investment trusts (A-REITs), ETFs and mFunds. Apart from convenience, you'll also enjoy the liquidity associated with listed investments and be able to see your entire portfolio in one place.

On the downside, you'll have to pay management fees and brokerage each time you buy a parcel of securities on the ASX. (With regular managed funds you can normally avoid any upfront fees.) You will also need to put up with market volatility. mFunds are exempt from this volatility because they are not listed.

Investing through an ETF gives you more bang for your buck. For example, SPDR S&P/ASX 200 Property (ASX: SLF) invests in the A-REITs that comprise its index. The top three holdings are Scentre, Westfield and Stockland. Returns have averaged 15.64%pa for the three years to October 31 (ASX 200 Property index, 16.08%) and the management fee is 0.4%.

Vanguard Australian Property Securities Index ETF (VAP) – also an award winner – tracks the S&P/ASX 300 A-REIT index, and its holdings and sector allocation are virtually the same as for the SPDR fund. Returns have averaged 15.84%pa for three years (index 16.04%) and the management fee is 0.25%.

If you want to go global, SPDR Dow Jones Global Real Estate Fund (DJRE) holds 59% of its investments in the US, 9% in Japan and 7% in the UK. The Dow Jones Global Select Real Estate Securities Index is its benchmark. It launched in late 2013 and the one-year return is 26.94% (index 27.49%). The fee is 0.5%.

The APN A-REIT, which has either won or placed in *Money's* Best Property Securities Fund award six years in a row (see page 64), is available through mFunds. It also invests in A-REITs. The minimum investment is $1000 and returns have averaged 16.74%pa since its January 2009 inception, beating its benchmark S&P/ASX 300 Property Accumulation Index by more than 3%pa on average. The fee is 0.85%.

Investors can also access APN's Asian REIT, which invests in a portfolio of Asian REITs, through mFunds. Its biggest holding is in Japan (38%), followed by Singapore (29%), Hong Kong (11.5%) and China (10.5%). Returns have averaged 18.18%pa since inception in July 2011, beatings its benchmark (Bloomberg Asia REIT Index) by an average 1.86%pa.

As well as the APN funds there are seven global and four local mFunds, which investors can access with a minimum of $10,000 to $30,000. For a complete list of mFunds visit asx.com.au/mfund.

Money founding editor and former AFR *property editor Pam Walkley has hands-on experience of buying, building, renovating, subdividing and selling property.*

SEARCH FOR CERTAINTY

In recent weeks we've seen a major divergence between the banks and the Reserve Bank that has many borrowers wondering what's going on. Pressure from the Australian Prudential Regulation Authority requires banks to hold more capital, so they've increased interest rates independently of cash rate adjustments. But the RBA is under pressure to revive a sluggish economy no longer buoyed by strong investment in the mining sector, so a reduction in the official cash rate is more a question of when, not if. The banks are moving in one direction, the RBA in the other.

In times of uncertainty, it's important to reflect on your mortgage situation and seek advice to ensure the best possible deal for you. The opportunity to refinance with a more competitive lender, or fix your rate, could come and go in an instant, so talk to a finance expert or your broker about your options today.

HEIDI ARMSTRONG IS HEAD OF CONSUMER ADVOCACY FOR LIBERTY FINANCIAL

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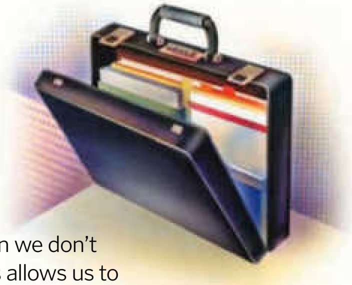
INVESTING

Minimise risk

Set up a defensive portfolio



Rhett Kessler,
Pengana Australian Equities Fund

A defensive investment strategy is one that aims to preserve capital regardless of market conditions. As media and other commentators focus on uncertainty created by macro risks, we believe investors should consider strategies that actively focus on capital preservation and still deliver strong risk-adjusted returns.

A key tactic is to focus on less volatile "defensive" or "economically insensitive" industries. While no security is a sure thing, risk can be minimised by selecting companies whose key drivers are insensitive to the economic cycle.

At Pengana, we call these "toilet paper and toothpaste" companies, as no matter what the conditions people will still buy these staples. So their earnings are easier to forecast and value. Examples include healthcare, utilities, telecommunications and even gaming stocks.

Holding cash is another tactic many investors underestimate or misunderstand. Many feel holding cash is standing on the sidelines – but our view is that "if we don't know, then we don't play". This allows us to focus resources where we can most likely achieve the "alignment of the planets" needed to maximise potential returns and minimise risks. Being able to hold cash also means we don't have to buy if we can't find stocks that pass our hurdles. Having cash in our wallet over the heady first half of 2015 allowed us to reach for it to buy stocks at great prices when the markets fell in August and September.

Overall, defensive investors need to be disciplined and take a pragmatic view of risk. Many investors, such as self-managed super funds, hold a fairly concentrated portfolio of direct Australian equities so every stock pick is critical. By focusing on our core objectives – a fair return and preserving capital – we can identify and react to the major relevant risks. We also consistently minimise risk by being disciplined in what we buy: investments that offer predictable, sustainable and well-stewarded after-tax cash earnings yields in excess of 6%, which will hopefully grow to double-digit yield levels over time.

Toilet paper and toothpaste stocks may not be sexy but slow and steady generally wins the long-term investment race by avoiding the worst market falls.

WHERE I'D INVEST $5000

Tom Whitelaw,
Director of manager research, Morningstar

BT Smaller Companies Fund's tried-and-tested formula makes it a premier small-cap option. Managers Paul Hannan and Noel Webster, two very insightful investors, lead an extremely experienced, competent team. This is reflected in the fund's stellar record of outperforming the index in all market conditions. Its portfolio is more diversified than most, typically holding 60 to 90 names, reducing vulnerability. There is no performance fee, which is a further positive, making BT's fund an outstanding choice.

FACT FILE

BT Smaller Companies Fund

- APIR code: RFA0012AU
- Start date: August 10, 1987
- Annual fee: 1.62%
- Morningstar analyst rating: Gold
- Minimum initial investment: $5000
- Three-year return to September 30: 10.73%pa

SOURCE: MORNINGSTAR

Look beyond our borders

The gloom in our sharemarket may make you abandon your share investment plans but you should cast your eyes across the seas. Which offshore stocks are likely to deliver and which are not?

Bloomberg has released 50 stocks to watch in 2016. The big multinationals such as Apple and Facebook are there but less well-known American and Asian companies may be more interesting. Bloomberg expects South Korean petrochemical company Lotte Chemical's bottom line to keep improving thanks to cheaper oil prices.

A surprise contender is the maker of popular energy drink Monster, whose recent merger with The Coca-Cola Company is complete and the cost savings are expected to pay off for shareholders. Energy-saving car maker Tesla makes the list but Bloomberg warns it needs stellar growth of 57%-plus each year to achieve its goal of selling 500,000 vehicles by 2020. STEPH NASH

WATCHLIST

COMPANY	EST EPS GROWTH[1]
Lotte Chemical (S Korea)	453.9%
Reynolds American (US)	15.8%
Monster Beverage Corp (US)	13.0%
Under Armour (US)	14.0%
Aetna (US)	12.2%

Source: Bloomberg, September 2015. [1]Estimated earnings per share growth.

INSIDE INVESTING THIS MONTH

Question of confidence

Sharemarket shocks can be a signal to buy, not sell, writes Ross Greenwood

THE IMPACT OF A TERROR attack is to drive fear – uncertainty even – into the hearts of the people at whom it is aimed. In the case of the Paris attacks, it was quite clearly a retaliation for French air strikes against Islamic State, or ISIL, in Syria and Iraq.

The sharemarket reaction is understandable but short-lived. Often the government response to such events lifts an economy and boosts the market in the short term. Extra spending on defence and on rebuilding confidence can be positive – the opposite of what the terrorists sought.

The first major shock that created the long-term war going on in Iraq and Syria was the September 9, 2001, attacks on the US by al-Qaeda. But the 15% fall in the US stockmarket in September was overcome by December. In the case of the July 7, 2005, London bombings, the negative stockmarket impact lasted just one day.

But these attacks are a sharp reminder that confidence shapes business, investment and our overall economy. Without confidence, jobs won't be created and risks won't be taken on investment. Terror groups, including ISIL, are aware of this. It is rumoured that they have often engaged in financial markets ahead of such attacks, to benefit financially from the ultimate in inside information.

In Australia right now, there is plenty of evidence that confidence is rebuilding after the tailing-off of the mining investment boom. The fall in the dollar and record low interest rates have delivered enough stimulus to turn around the competitiveness of many service and manufacturing businesses.

Though it takes time to restore confidence to the point that investments are made and more staff are hired, you can now see this slowly coming through in our official numbers. The stockmarket will pick up on these early signs and, if there is belief in longer-term profitability, share prices will respond.

But there is fear about our banks' dividends (and their profit growth for the next few years) and the stockmarket index has been falling. This has been exaggerated by the mining disaster in Brazil that has damaged BHP Billiton's share price and, perhaps, its reputation.

And this is where your confidence comes in. If you are confident – in the face of a mining disaster and an attack on its reputation – that BHP's management can harness the collective strength of some of the world's best mining assets, you will buy its shares. If you lack confidence, you will not buy. The issue here is more timing than whether you are buying something cheap. BHP shares have been sitting at 10-year lows in recent weeks and are clearly cheap. The bigger question is will get cheaper and, if so, will you care?

The banks have also been under fire because of the requirement to hold more capital to back their loan books and their overall assets. There are two issues here. One was a recommendation from the financial system inquiry that big banks should hold more capital against their mortgage books to replicate the requirements of smaller banks, credit unions and building societies. The other issue is about banks having sufficient capital to make certain they do not collapse in extreme circumstances (such as the GFC).

The problem for the investor is that if you have more capital and less debt, you have to generate even higher earnings to maintain your return on capital – key for investment performance. This was the justification for banks raising their mortgage rates soon after the rules were introduced.

The banks might have to raise even more capital to place them in the world's top 25% of well-capitalised banks (and make them impervious to the most adverse conditions). But if they raise more capital, there will be questions about whether they can increase profits sufficiently to maintain dividend growth.

Again a part of this is all speculation. Nobody quite knows how much capital the big banks might have to raise. Few are certain about how the banks' profits will respond to the slowdown in property investment lending.

But go back to the beginning. If the crisis of confidence after the Paris attacks does not turn into a full-blown panic and if the low dollar and interest rates boost Australian tourism, service and export businesses even further, then the current turbulent period is an opportunity for buying, not selling.

Ross Greenwood is Channel 9's finance editor and Radio 2GB's Money News *host*

GETTY IMAGES

Make the most of it

The generous treatment of super won't last forever, warns Vita Palestrant

THE LAZY DAYS OF SUMMER ARE here, bringing with them one year's end and the start of another. With that in mind, *Money* asked SMSF specialists what they see as the most important things to do (or not to do) in 2016.

The past year has been marked by market volatility and debates about super reforms – the last thing people need when planning for retirement. "Take advantage of the super rules as they stand now. They are almost too good to be true because we can see generosity shrinks over time," says Laura Menschik, a director and SMSF adviser at WLM Financial Services.

"At the moment people can make after-tax contributions of up to $180,000 a year as long as they are under 65 and working and over 65 if they meet the work test rules. They can also bring forward two years' contributions and make it $540,000. Years ago it was $1 million per year."

It's wise to diversify, she says. "People will often have property because that's one of the reasons to have an SMSF, where you can hold direct property. But it's very illiquid and it usually takes up a big chunk of a fund. Hence they need to look at diversifying as more contributions are received or property rental is received."

International funds, hedged or unhedged, can help. "It depends which way the Australian dollar is going. When it's falling, an unhedged fund usually proves valuable because it increases the value of the fund even if the underlying investments haven't done anything. So if you think the dollar is going south to 65¢, there might be some more currency in there for an unhedged portfolio."

Menschik says compliance has never been more important. "The ATO has gotten more aggressive and they're looking at targeting SMSFs. If the fund becomes non-compliant, the penalties can be quite severe, so make sure you've got everything up to date." One of the biggest mistakes, she says, is trustees not registering the SMSF's assets correctly in the name of the fund.

Another common mistake, says Andrew Yee, a director of super at HLB Mann Judd, is using an SMSF as a piggy bank. "There's a temptation, if cash flow is under pressure, to take money out of the fund as a short-term loan and then put it back before the year's end, thinking, 'It's my fund so I can take money out and if I put it back in it will be all right'. But it isn't!"

He's also often astounded at how many people miss out on concessions. Take the over-60s: they can go into pension phase, even if working, and enjoy tax-free SMSF earnings and income from their fund.

"They may be over 60 and could draw a tax-free pension and the fund's earnings could be tax free. If the money isn't needed, it's fairly standard advice to recontribute the money into the fund to keep it bubbling away. We've had this regime in for the last seven or eight years and people are still not taking full advantage of it."

He agrees SMSFs can benefit from diversification. "If you look at the Future Fund, it's got alternative assets, infrastructure, bonds, overseas shares and hedge funds. That's a good model for SMSF investors. The fund has had double-digit returns for several years."

The SMSF Professionals' Association's Graeme Colley suggests people keep an eye open for changes and the impact they may have. He doubts contributions will be scaled back, given the need for adequate retirement savings and the pressure both political parties are under from retirees.

"In some rare good news, the Turnbull government has accepted most of the Murray review's recommendations giving financial consumers and investors greater protection, and rejected a ban on SMSFs borrowing to invest."

Vita Palestrant was editor of The Sydney Morning Herald *and* The Age's *Money section and has worked on major newspapers overseas.*

POOR PENSION PAPERWORK WILL COST

Sloppy SMSF documentation can leave you and your fund owing the tax office a lot of money, advises Townsends Business and Corporate Lawyers.

"We continue to be surprised by the poor quality of documentation relating to SMSF pensions, including no or defective pension applications and agreements, no or defective trustee minutes and even trust deeds that don't empower the trustee to pay account-based or transition-to-retirement pensions," says Peter Townsend, a principal of the business.

He says it is crucial to check the trust deed and follow it to the letter. If there are problems with the contents of the trust deed, it may be possible to amend the deed or governing rules. "If the pension documents are not correct and in place, the pension may not have been effectively created, in which case the fund may still be in accumulation phase with the accompanying tax consequences."

It's advisable for pension documents to be prepared before the pension starts, with the opening balance confirmed later, if necessary, once the fund's accounts have been finalised for the relevant period.

CHRISTOPHER NIELSEN

Boost for exporters

Local flow-on from an improving US economy

Sean Fenton,
Tribeca Investment

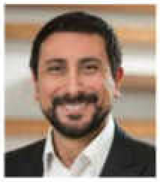
One of the biggest drivers of ASX stocks' performance in recent years has been the relative outperformance of the US economy over ours and a weakening $A:$US exchange rate. So companies with $US earnings and cyclical leverage to that economy have generally outperformed. Despite some significant moves, we expect this trend will continue.

The US economy is steadily chewing through excess capacity and the unemployment rate has fallen to near 5%, while Australia is struggling with the drag from the fading mining boom. So the US Federal Reserve is likely to raise interest rates later this year or early next year while the Reserve Bank is more likely to cut. These interest rate moves and ongoing weakness in China's steel demand, which is keeping downward pressure on the price of our big exports, including iron ore, are likely to continue the trend of a weak $A.

There are plenty of companies listed on the ASX that will benefit from stronger US growth and a stronger $US. These include gaming stock Aristocrat Leisure (ALL) and broad industrials, such as Amcor (AMC) with packaging operations, Brambles (BXB) with pallet pooling and Ansell (ANN) with gloves and protective wear. James Hardie (JHX) and Boral (BLD) have exposure in the housing construction market while Incitec Pivot (IPL) is building a new ammonia plant in Louisiana. In healthcare, CSL (CSL) in

blood fractionation, Cochlear (COH) with its implants, Resmed (RMD) in sleep disordered breathing and Sonic Healthcare (SHL) with pathology all have significant US operations.

Going cool on coal



David Macri,
Australian Ethical Investments

Many investors are worried about the troubles of the fossil fuel industry and we believe coal stocks should be firmly in the do-not-buy category. Since peaking in July 2008, the price of thermal coal has fallen 70% and supply still outpaces demand. We believe there are four structural factors causing this downturn:

1. Coal use in China fell last year for the first time since economic reforms began in 1978 and signs are that the trend will continue. This is largely due to a weaker economy but China is also the major investor in renewable energy globally. Alleviating pollution is another push factor and the Chinese government has said Beijing's coal-fired power stations will close by 2020.

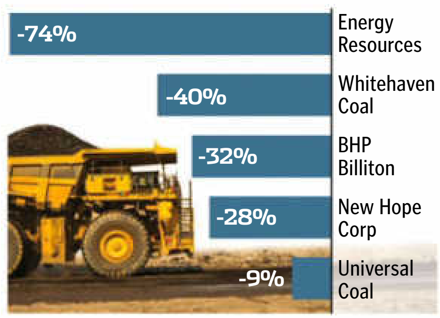
2. Japan has ramped up coal consumption but this is only transitional and will fall when it restarts more nuclear power plants and builds the large amount of solar capacity it has approved.

3. The developed world's use of "poles and wires" electricity has either stagnated or declined. Economic weakness has undoubtedly contributed but increased energy efficiency, distributed generation and behavioural changes are also factors.

4. The US Environmental Protection Agency (EPA) is targeting reduced carbon emissions from existing power stations and setting a standard for new plants. Expect more closures of non-compliant coal-fired power plants and little construction of new ones. And the European Union has targeted a 40% reduction in greenhouse gas emissions from 1990 levels by 2030.

So markets are fundamentally changing the way they regulate and consume coal. It is the cheapest form of power generation but that is insufficient to offset other concerns.

Five largest ASX-listed coal stocks
Difference between 52-week high and current share price



Cockatoo Coal omitted as suspended

SOURCE ASX, 9-NOV-15

INSIDE SHARES THIS MONTH

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More good than bad

The economy and sharemarket are set to benefit from gentle tailwinds, forecasts Hans Kunnen

AS WE KISS GOODBYE TO 2015 and welcome the new year, what will 2106 hold for markets? Will we view higher US interest rates as good or bad news? Will China's sharemarket volatility re-emerge? Will slow economic growth in Australia mean slow growth in dividends?

Which companies will benefit from the lower Australian dollar and the recent free trade agreements? Is China's slowing growth a serious issue for our economy? Will oil prices stay low? Will we face an early federal election? So many questions! Time for some answers.

Strange as it may seem, rising US interest rates are good news. Companies in the US are expanding again. They are creating jobs, making profits and paying tax. The US's Dow Jones Index may have a soft start to the year but it has little to fear from a strong economy and slightly higher interest rates.

Locally, inflation is slow and interest rates are low. Both seem set to stay that way throughout 2016. There is an outside chance that the cash rate could go lower but I doubt it. Fixed rates here could move higher as US rates rise; but Europe and Japan's "money printing" should prevent a sharp, destabilising increase in fixed rates.

The $A is about 33% lower against the US dollar than it was at the end of 2012. That is a massive discount and a solid boost to the competitive position of our companies. Will companies in your portfolio benefit? Most likely they will.

The $A seems likely to remain around current levels until commodity prices or the Reserve Bank's cash rate picks up. And that won't be any time soon.

China's economic growth is slowing. But should we be alarmed? Short answer, no! Growth around 6.5%pa between 2016 and 2020 will generate more annual demand than 10% growth did back in 2005. Why? The pie is now far bigger. If you are sceptical, do the maths. There are opportunities for local companies in food manufacturing, health services, leisure, travel and much more. The recently signed free trade agreement with China could also open new doors to trade.

> What could unsettle markets is a snap election

And then there are the free trade agreements with Korea and Japan, plus the broader Trans-Pacific Partnership agreement. Surely the TPP will offer new opportunities as ratification unfolds.

And so to other local issues.

In 2015, companies associated with the housing boom did well. They supplied the building materials and met the needs of those seeking to fill their new "nests". Judging by building approval figures, another good year is in store but the pace of new approvals is in decline, so pick your stocks well.

The 2016-17 budget is due in May and is unlikely to contain "mega-nasties". A more likely scenario is a bland but tight budget accompanied by further discussion on tax reform and innovation – none of which will greatly unsettle markets. What could unsettle consumers and markets is a snap federal election.

The Christmas-new year break affords time for reflection. Markets will cope with the notion of higher US interest rates – they've been coming for a long while and they will rise slowly. "Spooked" markets are in no one's best interests.

Of course there are risks ahead. Emerging market debt has grown too rapidly for comfort. Geopolitics can turn sour and political bickering can derail confidence. But let's face it, our economy continues to grow and create jobs. The US economy is performing well, the Chinese economy continues to modernise and Europe is gradually recovering, assisted by super-low interest rates.

The current environment, as well as the outlook for early 2016, is not bad. Low interest rates and a weaker dollar should continue to act as gentle tailwinds for the economy and for the Australian sharemarket.

Hans Kunnen is chief economist for the St.George Banking Group and author of Borrow and Build, *a primer on borrowing to buy shares.*

JOHN TIEDEMANN

Float tests the market

Investors who fancy the education sector have a new prospect, writes Roger Montgomery

SEEK AND EDUCATION AUSTRALIA, a company owned by 38 local universities, jointly own IDP Education. IDP will list on the ASX under the stock code, IEL, possibly in December.

Education Australia has agreed to hold its 50% shareholding in escrow until the release of the 2015-16 results in August. At the time of writing, Seek was yet to determine how much of its 50% stake it intended to sell in the initial public offering (IPO). However, it seems likely it will exit the business if the offer price is set near the top of the $2.40 to $2.65 a share range.

IDP has four business units. The English language testing and student placement divisions account for more than 90% of the company's revenue and gross profit. The English language teaching and event management divisions account for the balance.

IDP co-owns the international English language testing system (IELTS), a high-stakes English language test, with its developer, Cambridge Assessment, and the British Council, a public corporation. High-stakes English language tests are used as a prerequisite for foreign applicants and are set by tertiary institutions as well as by companies and immigration departments in English-speaking countries. A test score of six to seven (out of 10) is required to apply to the various institutions, for visas and for jobs.

IDP operates and contracts 400 test sites in more than 50 countries, mostly in Asia and the Middle East. IELTS is the dominant high-stakes English language test, with around 60% market share. Of the 2.7 million IELTS tests in 2014-15, IDP administered 826,000 (31%). Over the past 12 years, the number of IELTS tests taken each year has grown at an average 17%pa. Average revenue is about $250 a test, which is expected to deliver revenue of $241 million in the year to June 2016.

Operating costs are largely variable, including Cambridge Assessment's royalty – about £30 ($65) a test – and direct fees paid to the test sites, many of which are operated by third parties.

The student placement division markets tertiary education courses at more than 600 institutions based in Australia, the US, the UK, Canada and New Zealand, to overseas students and provides counselling and visa application services. IDP sources students through 89 offices in 30 countries.

In 2012, Asia accounted for 52% of the 4.5 million foreign student enrolments globally and, because of the strong growth of Asia's middle class, the International Education Advisory Council estimates numbers will grow at an average 5%pa over the next five years.

International student enrolment numbers peaked in Australia in 2009 at nearly 600,000. The tightening of visa regulations, the change to student working entitlements and the high Australian dollar meant foreign enrolments fell to 480,000 by 2012. Government reforms that streamlined student visa processing, increased post-study work entitlements for some graduates and the fall in $A have caused enrolments to recover to near their 2009 peak. Government has focused on building the international student market, now an $18 billion export industry.

IDP generally receives a fee determined as a percentage of the first year's tuition, while operating costs are largely denominated in the local currency of the source market. Operating costs are expected to be higher than in the past in 2015-16 as IDP acquired Beijing Promising Education in May 2015, which included 11 new offices in China. IDP has also recently opened a number of offices in India to support future growth.

IDP is forecast to achieve $50 million worth of earnings before interest and tax in the year to June 2016, and looks to have a relatively capital-light business model – management believes sustainable maintenance capital expenditure is about $6 million a year.

Potential investors should be aware of two points. The first is that the company hedged its British sterling cost base for 2015-16 at £0.545, using 12- to 18-month forward contracts, and this compares with the current rate of £0.468, a 16% increase. This provides a one-off benefit to the 2015-16 earnings forecast in the prospectus and will drop out in 2016-17.

The second is the very gentle hurdle rate of the long-term incentive plan for the company's executive team and the degree to which the strike price of the options is well "in the money".

Roger Montgomery is founder and CIO at the Montgomery Fund. For his book, Value.Able, *see rogermontgomery.com.*

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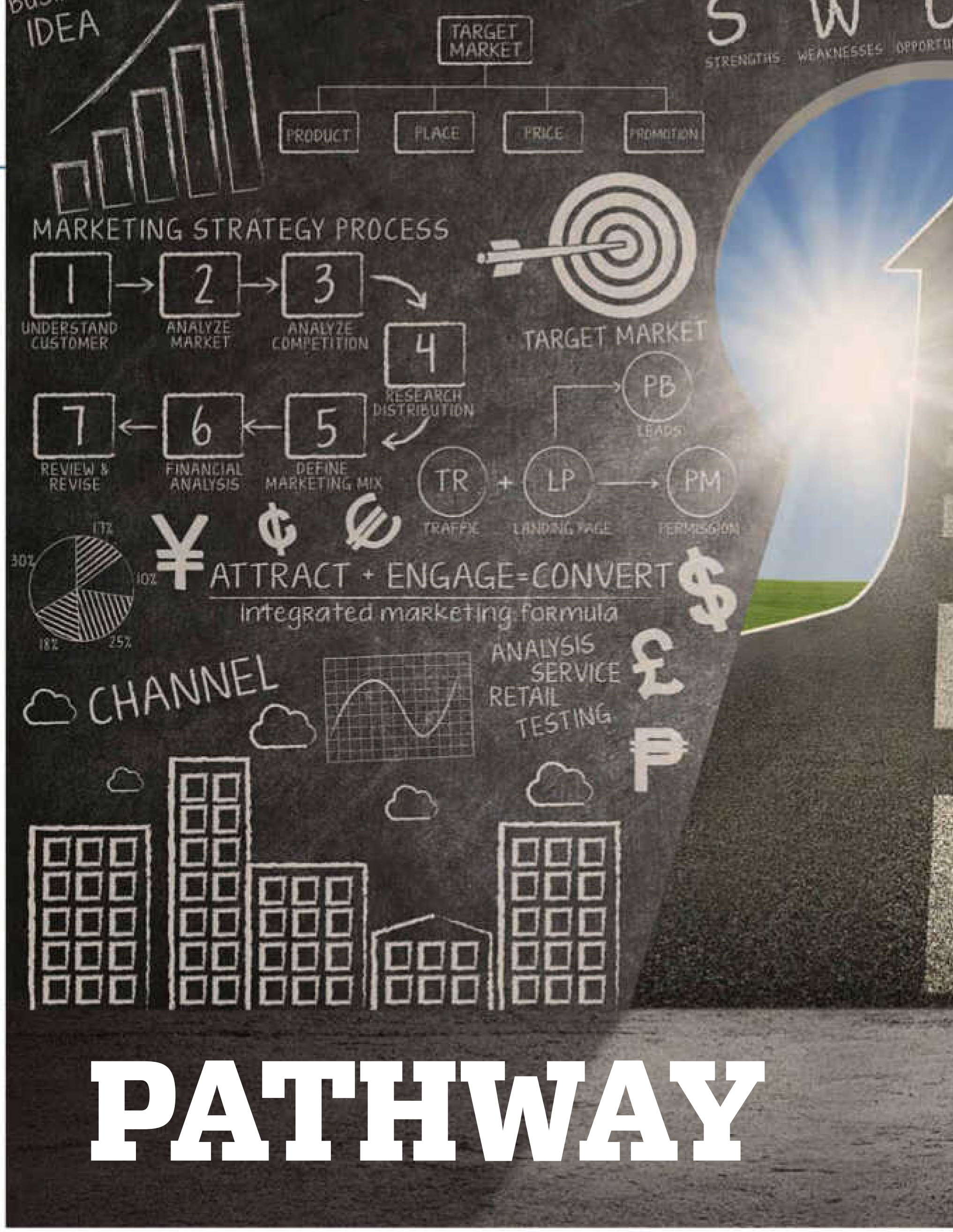

PATHWAY

STORY GREG HOFFMAN

By following a seven-step road map, you too can learn to recognise value

CRICKET IS MOSTLY a mystery to me. I've only ever played in one formally organised game, where I spent my time lurking in the outfield desperately hoping the ball wouldn't come my way. I'd be happy to invest some time to get to grips with the basics, especially as I'd love for my nine-month-old son to play one day. Yet I don't know how or where to start learning as a full-grown adult.

So I'm presenting for the sharemarket what I'd like someone to give me for cricket: a pathway to learning the basics and moving beyond them.

My expertise is in value investing, a specific type of sharemarket approach. If you're interested in day trading, options, contracts for difference (CFDs) or charting, I'm not your man. But let's say you're prepared to devote a total of seven hours a week to learning the art and science of value investing over the next two years. Maybe half an hour each night plus a few hours on the weekend. That's roughly 700 hours.

Make the mind shift

I recommend a seven-step process, starting with the book I detail for the awards, on page 124 – *Buffett: The Making of an American Capitalist* by Roger Lowenstein.

Value investing requires a powerful change of mindset from the way most of us naturally arrive at the sharemarket. I've never seen that change occur gradually in a person, yet I would say the majority of people I know who've read Lowenstein's book have made the leap as a result.

If you're not convinced by the logic of value investing after reading this book, then you'll save yourself a lot of work by seeking some other approach. Yet if you finish it feeling fired up for more, that's great because the second step is daunting: learn accounting.

Accounting is the language of business. Without understanding how it works, what conservative accounting looks like and what aggressive accounting looks like, you'll be at sea without an anchor. And I estimate that getting to grips with it is going to take a bit more than 20% of the time you'll invest.

There's a great primer in *Value: The Intelligent Investor's Guide to Finding Hidden Gems on the Australian Sharemarket* by my former colleague, James Carlisle. But you'll need to go further than just this book.

Since I completed my accounting degree, online education has proliferated. I recommend finding a good online accounting course (preferably one that's based on Australian accounting standards) or trying your most convenient adult education college, if it has something suitable.

Look for a course that focuses on how the three main financial statements work together to paint a picture and also the accounting principles that have the most impact on listed companies (including consolidation accounting, for example – what typically happens in the accounts when one company owns 5% of another, compared with owning 21% or 60%).

Another treasure trove that will help is Warren Buffett's letters to shareholders. You'll find them at berkshirehathaway.com and, apart from accounting issues, they contain plenty of lessons on other topics you'll need to cover.

Techniques of analysis

Getting on top of accounting will make the third step much easier – learning the techniques of share analysis.

This is the main game and it should be stimulating, if not fun. If you dread the idea, you're better off sticking with managed funds rather than trying to pick your own stocks (find a fund manager who follows a genuine value-investing approach and let them rip).

The Buffett letters contain a good amount on this topic but you'll need to supplement

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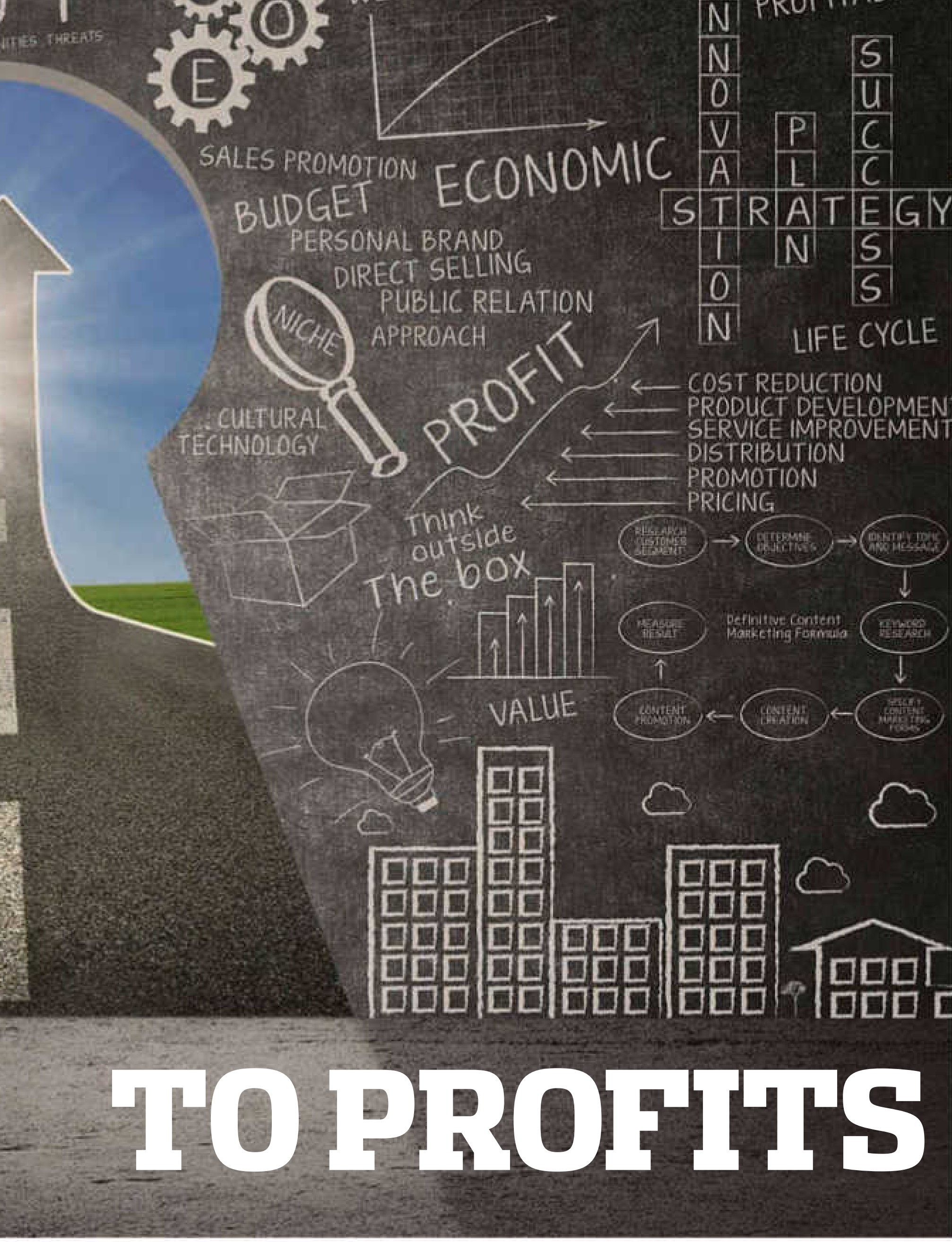


TO PROFITS

them. *One Up on Wall Street* by Peter Lynch is an easy-reading way to cover the basics. From there, *The Intelligent Investor* by Benjamin Graham (as recommended by Ross Greenwood and Shane Oliver on pages 123 and 124) will take you to the intermediate level.

Your reading list should also include *Common Stocks and Uncommon Profits* by Philip A. Fisher, *Beating the Street* by Peter Lynch, *Money Masters of Our Time* by John Train, *Minding Mister Market* by James Grant, *The Rediscovered Benjamin Graham* by Janet Lowe, and *Masters of the Market* by Anthony Hughes, Geoff Wilson and Matthew Kidman.

Exploring the world of investor psychology is the fourth step. Start by googling "Charlie Munger + psychology of human misjudgment". You'll find a speech by Buffett's brilliant business partner covering most of the key cognitive biases that can hurt us as investors.

Other worthwhile reading in the area includes *The Black Swan* by Nassim Nicholas Taleb, *Thinking, Fast and Slow* by Daniel Kahneman and *The Most Important Thing* by Howard Marks.

Circle of competence

Eventually you'll need to apply all of this knowledge to real-world investments. So the fifth step is developing what Buffett calls your "circle of competence". That is, getting to know at least a couple of industries well.

Choose industries that you already know something about, perhaps from your career or as a customer. Retail is a good one to start with if you're struggling for ideas. It's easy to conceptualise the business and imagine the practical implications of the accounting choices made by management.

Find the listed companies in the sector and start going through their past annual reports. I recommend 10 annual reports each from six companies per industry, if possible. That should give you a good feel for how the industry has performed over time and the differences between competitors. You can also supplement your knowledge through specialist books, websites, magazines and podcasts devoted to the industry.

This is a big task, taking maybe 120 hours or more per industry. But you're building up genuine expertise and insights. That takes time, effort and reflection.

Hit the history books

Learning your corporate history is the sixth step. You'll have picked up a good deal from your reading in the previous steps but that knowledge is worth complementing with two books by Trevor Sykes, *The Bold Riders* and *Two Centuries of Panic*. Both detail previous dramatic episodes in Australian corporate history.

The final step is to add a dollop of economics. There are three strands worth delving into: macroeconomics, microeconomics and behavioural economics.

Macroeconomics is the study of important-sounding things like GDP, unemployment and inflation. It's also something of an unreliable dark art – on which, of the three, I recommend you spend the least time. It's worth learning the key terminology and basic economic models, though. Try khanacademy.org for some decent (and free) tutorials.

Microeconomics is more practical. It involves studying supply and demand, pricing behaviour, monopoly and oligopoly behaviour, game theory and labour economics, among other things. An economist colleague recommends *Principles of Economics* by N. Gregory Mankiw. It's a textbook but an accessible one.

Behavioural economics is a newer field which starts with human behaviour and works backwards to uncover motivating factors. It focuses heavily on the study of "incentives", a crucial topic for all investors. *Freakonomics* by Steven D. Levitt and Stephen J. Dubner provides a gentle, general introduction. *Behavioural Finance* by James Montier is an outstanding exploration more targeted to sharemarket investors.

If you follow these seven steps, not only will you occupy a good part of the summer holidays with something challenging and rewarding, but you'll also give yourself every chance of hitting your future investments for six.

Greg Hoffman is an independent financial educator, commentator and investor. He is also chairman of Forager Funds Management.

STORY VANESSA GILBERT

RULES OF THE GAME

Prepare for when emotions run riot

DESPITE COMING SO close to hitting a record high of 6000 points in April, the S&P/ASX 200 looks as if it could deliver a negative return this year. If your money is in an index fund, your performance statement won't look too good.

So how come some investors have made profits while others are simply treading water? They were prepared. Smart investors do their research, and they have an action plan that guides them through volatile times.

They also don't let emotions guide their decisions. When emotions influence your decisions, it's so easy to make bad ones. Many people liken the stockmarket to a casino but when you buy shares, you buy a piece of a business – it's no different from buying your local dry-cleaner. Thorough research into the company's fundamentals, cash flows, debt levels and growth opportunities is critical.

Another common mistake is refusing to sell. Some investors will not sell shares for a loss, even though they could use that money to buy into a top growth stock. Others won't sell because they've fallen in love with a company. Don't buy a stock because you love the brand and don't put up with mediocre performance out of loyalty.

Have you been lured by the promise of a high dividend yield, or bought a stock based on a hot tip from a mate? Maybe you're the type of person that buys shares then parks them in the bottom drawer in the false belief that a company will turn a profit forever. But like it or not, things change and it's inevitable that some of today's top-notch businesses will not be around in 10 years.

Unless you have a crystal ball, there is no way to know what the market will do in 2016. We can make an educated guess that the demand from China's booming population will drive Australia's agricultural industries and a lower Australian dollar will continue to boost inbound tourism, but other events that could have an impact on the ASX in 2016 are anyone's guess.

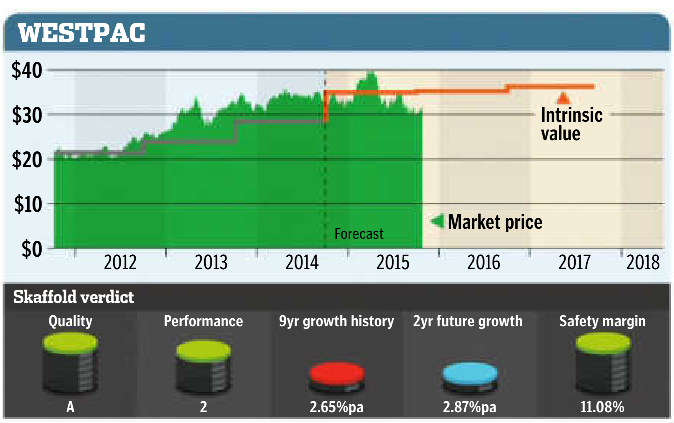
So rather than try to predict the future, we've put together some simple things you can do to set up your portfolio for a successful 2016. You need to remember, though, that no matter how well prepared you are, you won't win them all. Not every stock will make you money. Some will deliver double-digit returns and others will just keep pace with inflation. And some stocks will lose you money. But no one is perfect and as long as you are disciplined and ensure emotions don't drive your decisions, your portfolio should be fine.

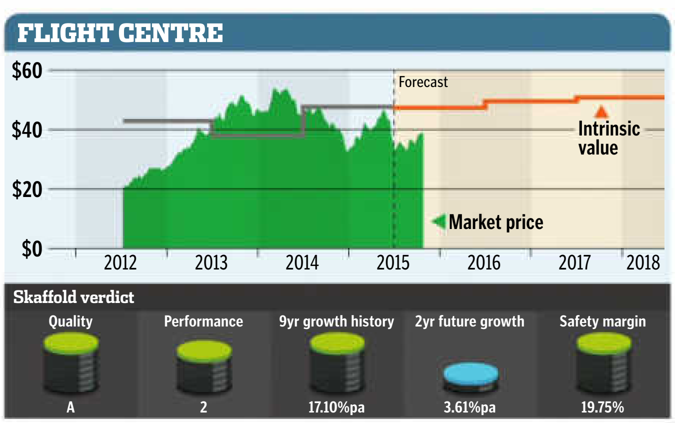
Plan and research

If you told a mate you were planning to build a house but you had no intention of engaging an architect, didn't have construction plans, had no budget and were just going to wing it as you went along, they'd think you were mad. Council would be pretty unhappy with you too. Yet investing in shares without a plan is how many people approach the stockmarket.

One of your most important tasks when starting your investment journey is to come up with a well-thought-out set of rules to guide your decisions. They will tell you what to do when a stock behaves in a particular way. Sticking to a set of rules will not only make investing decisions easier; over the long haul it will help you reach your financial goals.

Alan has been a Skaffold member for many years and is a great example of how a well-defined investment plan can reap healthy rewards. Alan won't invest in anything that flies, floats or grows because too many things are outside the company's control. He also won't invest in manufacturing, media, fund managers, or commodities companies and a range of other industries due to low barriers





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to entry and unpredictable operating costs. You're probably thinking that doesn't leave him much choice of stocks to buy! Alan's rules do allow him to invest in ASX-listed companies whose boards are dominated by engineers and related professionals as they typically have a higher moral compass than lawyers, accountants and company directors. When it comes to fundamentals, Alan will only invest in those forecast to deliver capital gains plus dividends of at least 12%pa. Following these rules has allowed Alan to build a retirement nest egg well in excess of the national average.

Setting up a solid framework as to what types of companies to buy and avoid, and also rules that tell you when to buy or sell, will keep you focused when emotions run high.

For your own list, you will need to consider your investment style, goals as an investor and your appetite for risk. A financial planner will be able to help you with this.

I don't know about you, but when I plan a holiday I spend hours upon hours researching where to stay, where to eat and the best places to shop. I'm about to become a mum and I've probably spent around 10 hours online researching prams (and many more hours visiting baby stores) before I settled on the right one. Let's not talk about the five parenting books sitting on my coffee table ...

Why then, when it comes to buying shares, do we not apply the same rigour? Why do we rely on tips from friends, or buy the shares that fund managers talk up on TV?

Before you start investing you need to learn a few skills, such as how to spot top stocks and the right amount to invest in each company. Researching companies to buy is simple. First you want to make sure earnings have been rising and will continue to do so. You wouldn't stay in a job that didn't give you a pay rise that keeps up with inflation each year, so why own shares whose earnings fall year after year?

Next check the balance sheet to see how much debt the company is using and how much profit they've generated. If you have a home loan and you can't afford the repayments, the bank will eventually force you to sell. Sure you'll probably have to rent or move back in with your folks, but it's not a complete disaster. If a company has to repay debt but doesn't have any spare cash, it may need to start selling assets. The problem is that they can be the very assets the company relies upon to operate its business, such as tractors and bulldozers. A mining company can't mine without excavators or tippers. And if it can't mine, it can't generate profits – you get the picture.

The cash flow statement is also something you need to learn to read and interpret. It tells you how much cash is flowing through the business and how much is left over at the end of each year. If a company spends more in a year than what it earns, it is not a good sign. Eventually something will have to give. Usually it will begin with suspension of your dividend and then you may be asked to tip in more cash by buying more shares when the company announces a capital raising. No matter what the consequences, avoiding companies with poor cash flow is a sure-fire way protect your capital.

Focus on value, not price

Ask most people what a share is worth and they'll quote you the price. When it comes to businesses, price and value are two very different things. Price is what someone is willing to pay but value tells you what the fundamentals of a business are truly worth. Knowing the worth of a business allows you to assess whether or not the share is expensive.

Buying top-quality shares is no different from buying designer fashion at DJs' post-Christmas sales; or maybe you've had your eye on a swanky new car but are waiting for the dealership to go into run-out mode so you can get it at a better price. Smart investors approach the stockmarket the same way. They identify top stocks, understand what they're worth, then wait like hawks for a correction or blimp in the market that causes the share price to fall temporarily to a price that represents a bargain.

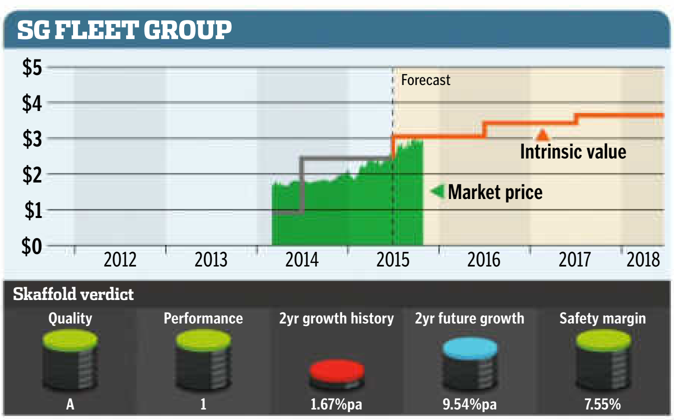
Now as you can appreciate, this requires a lot of patience. If you can train yourself to be disciplined, you'll join a small group of smart investors who hold a portfolio of top-quality shares acquired at bargain prices. Remember, the less you pay for a share today, the bigger the possible capital gains.

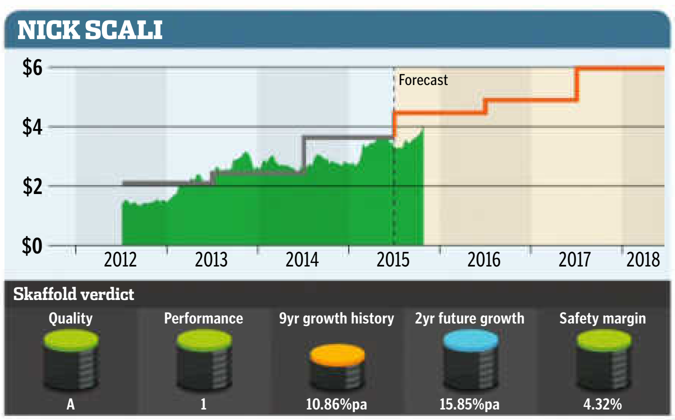
Stocks that make the grade

Skaffold's powerful stock filter reduces the 1800-odd ASX-listed stocks listed to just a handful in seconds. In February we used it to identify five top stocks to buy for 2015. Between January 2 and September 30, an equally weighted portfolio of the Top 5 stocks had returned 5.5% (including unrealised gains and dividends), and 6.8% including franking. Over the same period the All Ordinaries Accumulation Index returned -3.1%.

The same strict Skaffold criteria uncover 12 stocks to buy today. If we isolate the ones that satisfy the good-value criterion, just four stocks remain. They are Westpac, Flight Centre, fleet management business SG Fleet and, once again, furniture manufacturer and retailer Nick Scali.

FREE TRIAL Check out Skaffold's latest valuations and growth forecasts for Westpac, Flight Centre, SG Fleet and Nick Scali, plus every other company listed on the ASX (and 2000 global stocks). You'll quickly see why they stand head and shoulders above their competitors. Sign up free at skaffold.com/money. All valuations and data are provided by Skaffold Pty Ltd. Vanessa Gilbert is one of Skaffold's founders. Data is accurate at October 30, 2015 close of trade.





Advice you can trust

Fellow investors are the people who can provide honest guidance, writes Marcus Padley

LET'S SAY THAT BECAUSE OF circumstance, necessity or desire you take on the responsibility of looking after a lump of money. Maybe you have been divorced, bereaved or have inherited. Where do you go for advice? The most common options are:

The family member Ah, probably not a good idea, putting your future in the hands of an amateur. Sorry, but if you know nothing about the stockmarket, are you really in a position to judge whether a family member's investment style or experience are appropriate? Enthusiasm and goodwill are no substitute for ability and I would question the financial wisdom of anyone who puts themselves forward and in so doing exposes themselves as someone who doesn't know the basic certainty of financial life: family and money don't mix.

Trust is an essential ingredient in finance, so listen to their advice – it's free and it's well meant – but understand that putting your future in the hands of a family member drags in issues that complicate the investment process and muddies the vital element of objectivity. There is also no legal framework. No reporting procedure. Too much trust. Too many relationship barriers to good governance. You need to politely refuse.

Do it yourself This is worse than the family member option. You know even less. You would never dump a lump sum in a bank account and give control to a first-time investor, so why would you allow yourself to do the same thing. The problem, of course, is that the whole product-pushing financial industry is telling you that you can and even should, which is rubbish. Providing software that allows you to buy this and sell that is not enough. I can cut wood and hammer nails but I can't build a house – and it's the same in the stockmarket.

Going online without experience is like running onto a battlefield in a fluoro vest. You make yourself a target and become vulnerable to a host of predators, and there are some pretty nasty ones stomping around in our industry with inappropriate products, hidden agendas, promises of transformation, representations of how easy it is and sheep's-clothing seminars. It's dangerous out there.

The professional adviser There are financial planners and there are financial planners. It staggers me that some people spend their whole lives building a nest egg and then, at the most crucial moment, at retirement, innocently put themselves in the hands of a salesman.

Thankfully the government is onto this and is targeting the ones who have done a four-day course, got a licence to sell product and then purport to give financial advice.

There are product sellers and there are financial advisers and they are not the same. How do you tell the difference? You suck it and see. Trust is the core ingredient but it is very hard to achieve instantly. A good financial professional knows that, so these days most of us allow it to build over time by offering new clients 24/7 transparency and performance monitoring as well as the ability to exit their arrangement at no penalty on a moment's notice. This is how it should be – no tie-ins. No good financial planner wants a reluctant customer after all, so they take the bet that their service and performance will hold you and that trust will build. But this will take time.

So what do you do now? For anyone in a position of vulnerability seeking an answer to the riddle of where and how to invest, your best move is to find people who can empathise with your circumstances, people with experience, people who are only too glad to help without wanting anything from you.

Where do you find them? There are only a few organisations in the stockmarket that the private investor can trust and, perhaps unsurprisingly, they all seem to be not-for-profit. They include the Australian Investors Association (AIA), the Australian Shareholders' Association and the Australian Technical Analysts Association. They all offer access – not to a product, trading platform or leveraged derivative – but to people like yourself. The AIA motto sums it up as "investors helping investors".

If you want empathy, if you want to make friends with an investment interest, then this is a good place to start. You'll find them only too willing to help and protect you. No $1000 seminars on "You too can be a forex trader". Just $130 a year for access to some of the best education in the industry. From people like you. Go to investors.asn.au.

Marcus Padley is the author of the stockmarket newsletter Marcus Today. For a free trial go to marcustoday.com.au.

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EXCLUSIVE 15% DISCOUNT

A TREAT FOR CHRISTMAS

Discounted hamper of goodies would make an ideal gift

DID YOU KNOW that it would cost more than $38,000 to buy all the items from the popular carol *The Twelve Days of Christmas*? (For the statistically minded, that estimate comes from the US's PNC bank, which prepares an annual Christmas price index.)

Australians spent over $45 billion last Christmas, or an average of $2500 per adult, which is enough to buy close to 1.2 million partridges, turtle doves, french hens and all the rest. But you don't have to go that far.

Even so, the National Retail Association expects us to spend 4% more this year, as the latest consumer price index data shows that the cost of common Christmas goods is rising.

To help cut down one of the biggest expenses of the year, *Money* readers can claim an exclusive 15% discount for use at The Hamper Emporium. If you're into food (let's face it, most of us are), a hamper would make the ideal gift: you get a case full of delicious goodies and with the discounted rate you'll be laughing all the way to the North Pole.

With household costs going up, this Christmas is set to be one of the most expensive so far. We spent a whopping $18.6 billion on food for Christmas last year, and it looks as if we're about to fork out even more for our roast dinner, prawns, sausages and shish kebabs. Beef, one of the biggest purchases for Aussies at Christmas, has gone up by 8.8% in the past 12 months. Alcohol has increased by 5% and small household electrical goods by 2%. There's some solace in toys and clothing, which have come down by 3% and 1% respectfully. But food is easily our biggest expense, so it's important to look around for bargains.

Think you'll save money by going online when you're looking for gifts? Sorry, no. The plummeting Australian dollar means goods imported from the US and the UK are costing more, so you might get a better deal by shopping around in local stores. According to a Fairfax news report, a Lego set ordered online from the US would have cost $103 last Christmas but now costs $122. Looks like Santa will be shopping elsewhere this year!

As expensive as it is, Christmas is still a time for giving and sharing. Products from The Hamper Emporium can include wine, beer, champagne, cookies, pastries, crackers, chocolates and preserves. There are hampers for anyone: a James Squire ale version for dad; a Moët and MOR treat for mum; and even adorable toy-filled hampers for newborns. And if that doesn't put the cherry on top of your Christmas, The Hamper Emporium has free shipping Australia-wide for all orders.

How to get this offer

1. Visit thehamperemporium.com.au
2. Select your hamper/s and proceed to the checkout
3. Enter the discount code **MONEYMAG15** on the righthand side of the checkout under "Apply coupon/ promo code"
4. Confirm and process order

The reader offer expires on January 31, 2016. Full terms and conditions are available on The Hamper Emporium website. For further information or assistance, phone 1300 459 452 or email the customer service team at sales@thehamperemporium.com.au.


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Plus Ash tells: 'I'M PREGNANT!'
FAMILY FEASTS
QUEEN MARY
She did it!
Home & Away's Steve Peacocke
WHY I REALLY HAD TO LEAVE

The best of the Best 2016

PUTTING TOGETHER a Best of the Best edition is no easy task. We've been doing it now for 15 years but that doesn't make it any less of a challenge. Our methodology needs to be watertight, our research partners need to be certain their data is correct and, most importantly, we have to be confident that it all makes sense.

This year I took a step back and let *Money*'s deputy editor, Maria Bekiaris, take control. Together with our seven research partners Maria and the team have put together what I like to call "your ultimate guide to financial products".

Our objective for this awards issue is simple: to take the hard work out of choosing the best possible products so that you'll end up with the ones that will help you reach your financial goals.

But don't just take our word for it. It's important that you're happy with how we came up with the winners, which is why you'll find the methodology for each category next to the awards tables.

"This issue is many months in the making and it has taken many phone calls, hundreds of emails and quite a few meetings to make sure we get it right," says Maria. "We're pleased to bring you the 109 gold winners that are this year's cream of the crop and hope it guides your decision-making."

ANDREW FINLAYSON

YEAR OF THE RATE

Central banks hold the key to the performance of global sharemarkets, writes David Bassanese

THE KEY THEME likely to dominate financial markets is the inevitable rise in US official interest rates. Chances are high that the US Federal Reserve will begin raising rates at its December policy meeting and further "gradual" rate rises will follow in the new year. Meanwhile, it's not yet clear that the European Central Bank, the Bank of Japan or even the Reserve Bank of Australia have finished their own easing cycles given their economies continue to lag.

All this suggests that a firmer US dollar is likely to still be a feature next year. History suggests that global equities tend to struggle over the first three to six months of Fed tightening cycles. But they may well end up higher over the full 12 months due to continued strength in corporate earnings in what remains the early stages of global economic recovery.

At the same time, commodity prices are likely to stay weak due to China's slowdown, a stronger US dollar and, especially in the case of iron ore, rising supply. Weak commodity prices – and possibly lower local interest rates – suggest the Australian dollar will fall further, especially against the greenback. Fixed-income returns will probably be constrained by bond yields rising from low current levels.

Accordingly, perhaps the best-performing asset class from an Australian investor's perspective will be unhedged international equities, notwithstanding higher US official interest rates. Within this asset class, developed markets should outperform emerging markets, as the latter are also challenged by weaker commodity prices and a rising US dollar.

Because of their easier monetary policies, European and Japanese equities (at least on a currency-hedged basis) may also fare better than those on Wall Street.

Sluggish corporate earnings mean Australian equities may continue to underperform their global peers, though low local interest rates will favour high-yield sectors such as financials and telecommunications over resources.

Investors should take some heart as low global inflation means central banks will not intentionally risk economic growth when withdrawing policy stimulus, which suggests any serious pullback in equity markets should be considered a buying opportunity. The biggest risk is likely to be financial contagion – should emerging markets, including China, not adequately cope with rising US interest rates.

David Bassanese
Chief economist
BetaShares

PROPERTY

Which sectors will provide the best returns for investors in 2016?

Property in its various forms is likely to have positive returns in 2016. However, those returns are likely to be lower than in recent years as rents across all property classes will record negligible rises.

Lower global inflation is having its effect on rental streams. Certainly in commercially orientated real estate, rental agreements are often tied to inflation benchmarks. And, given that inflation has largely stalled, its flow-on is a negative for property rents.

That said, low inflation means lower acquisition yields and lower borrowing rates. This is something that property has greatly benefited from since the GFC and I think we will still see an increase in property values. Interest rates may well drop again in Australia and stay low in most of the Western world, except for the US, where the Federal Reserve is set to announce a very modest increase.

Interestingly enough, we are very positive on global real estate investment trusts (REITs). We see another year of double-digit returns driven by outperformance of North American REITs. An investment in global REITs normally means a 50% exposure to these North American REITs and is relatively easy for Australian investors to achieve through the global REITs on offer locally from recognised fund managers.

Louis Christopher
Managing director,
SQM Research

ETFs

It was a big year for new exchange traded funds. Is this likely to continue?

Twenty-four new exchange traded products were added to Morningstar's database in 2015 – more than in 2013 and 2014 combined. And there's little sign that the releases are likely to slow down in 2016.

Investors are now well served by ETFs for the traditional portfolio building blocks of equities, bonds and listed property, so there may not be many "vanilla" launches. An exception is international fixed interest, which is an obvious gap in the market. We expect multiple launches in this asset class. These are likely to have currency hedging, in line with their unlisted managed fund equivalents. Further launches of international equity ETFs with currency hedging wouldn't be a surprise, either.

Non-traditional launches were also popular in 2015, among them "strategic beta" vehicles, and geared, inverse and derivative strategies. Australian investors' hunger for income has also prompted the launch of numerous income-focused funds. Expect to see more of all of these next year.

Active fund managers are almost unanimously considering listed solutions. There is competition from the ASX mFund distribution platform and actively managed listed investment companies but more actively managed vehicles are likely.

Alex Prineas
Senior research analyst,
Morningstar Australasia

VOLATILITY

What are some of the products available that will protect against market volatility?

To protect themselves, investors can take advantage of strategies that remove or dampen market exposure or those that have a low or negative correlation with markets. These three funds fall into those categories:

Bennelong Long Short Equity Fund operates a market-neutral strategy that can deliver positive returns in either rising- or falling-market conditions. The fund typically invests in the S&P/ASX 100 universe, holding between 30 and 35 stock pairs. Under a pairs strategy, the fund is equally weighted between a long stock position (the fund benefits when the share price rises) and a short stock position (the fund benefits when the price falls).

Winton Global Alpha Fund represents a quantitatively based investment strategy that can be lowly correlated with equity markets, particularly during periods of market stress. The fund benefits from trending market conditions and invests in a broad range of futures and forward markets (currencies, interest rates, commodities, equities).

Triple3 Volatility Advantage Fund is a specialised volatility trading fund that aims to generate long-term absolute returns that are negatively correlated to the S&P 500 Index. The fund is expected to perform best where the S&P 500 is falling or volatility is high.

David Smythe
Managing partner,
Zenith Investment Partners

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ONMARKET APP

Cost: free
OS: iOS and Android

This new app connects retail investors, with no fees or charges, directly to initial public offerings. It may level the IPO playing field, where institutions dominate. Each IPO comes with resources and data that provide a rationale for the float. And you can register your interest in companies yet to participate in the app by joining an OnMarket campaign.

ASX APP

OS: iOS
Compatible with iPhone, iPad, and iPod touch.

You can monitor up to 20 listed companies in your Favourites. The tab provides 20-minute-delayed prices and announcements from the past 30 days; you can opt for real-time alerts when a new one is made. Graphs or lack of them seem to bug users – hopefully one for a later edition. You'll need 25.6 MB of space.

ACORNS APP

(Download soon)
Cost: free
OS: iOS and Android

At the time of writing, Acorns is in beta testing for Australians and expected to launch in February. If you have any loose change, save it to put in Acorns' investing platform, which will require no minimum amount. Acorns has constructed portfolios based on ASX exchange traded funds, for different risk profiles.

GETTY IMAGES

EMILIO GONZALEZ
CEO, BT INVESTMENT MANAGEMENT

BEST FUND MANAGER
BT INVESTMENT MANAGEMENT

Ahead of the field

An active approach, coupled with an eye for value, have paid off during a challenging period, writes Susan Hely

THE YEAR HAS BEEN a tough one for investors: low interest rates, seesawing Australian share prices and residential property coming off the boil. But one fund manager has been on top of most investment markets, making good calls on asset allocation plus undervalued shares and defensive income securities. BT Investment Management has performed so well in Australian shares, fixed income, local small caps and international shares that 97% of its 49 funds under management with a three-year track record have outperformed their benchmarks over that time.

BT Investment Management CEO Emilio Gonzalez says the strong performance comes down to the fund manager's active share and securities picking and its asset allocation – the responsibility of some of the industry's most experienced investment managers.

In this year's managed fund awards, BTIM funds dominated five asset classes. In the multi-sector category, its two balanced funds – BT Active Balanced Wholesale Fund and BT Balanced Returns Wholesale Fund – were among the top performers. "The diversified funds have performed exceptionally well, leveraging their tactical asset allocation process and the value added by our equities and fixed income funds," Gonzalez says.

BT's Australian large-cap share funds – BT Core Australian Share and BT Focus Australian Share – also ranked highly in the awards. BT Property Securities Fund topped the Australian listed property funds. BT Australian Smaller Companies Fund and the BT Fixed Interest Fund also starred.

Gonzalez joined BTIM in 2010 after 20 years at Perpetual where he was chief investment officer. An advocate of the international qualification chartered financial analyst (CFA), he was the global head of CFAs. When he joined BTIM, it had a strong reputation for its Australian equities funds, headed by Crispin Murray. Gonzalez has expanded the operations into other asset classes and, in 2011, the company bought J O Hambro, a London-based active equity boutique fund manager with expertise in the British, European and US markets.

J O Hambro Capital Management performs strongly. It attracted $6.2 billion from new clients, largely wholesale, which includes financial advisers and private banks.

Gonzalez says Australian investors, particularly direct investors, are focusing on fees and income-generating products. "In fixed income, we have the BT Wholesale Monthly Income Plus Fund to provide consistent income coupled with some capital growth. Also the Pure Alpha Fixed Income Fund responds to investors' requirements for an income fund with a 'go anywhere' strategy, while there is also the BT Wholesale Fixed Interest Fund and Global Fixed Interest Fund."

Gonzalez says equities can also provide a good foundation for income production.

Offshore, the manager launched a global smaller companies fund, a European concentrated value strategy and an emerging markets small-cap strategy. It also released an investor visa product offering complying investment funds for approved offshore applicants seeking permanent residency in Australia subject to meeting certain criteria.

SUCCESS STORY

BT Investment Management's assets increased by $20 billion over the past two years to reach $78 billion, spread across 49 open funds. Its share price has almost tripled in the same period to be about $12 in November. BTIM paid a 37¢ per share dividend in 2014-15, compared with 35¢ the previous financial year.

BTIM emerged from the former Westpac Financial Services, Rothschild Australia Asset Management and BT Funds Management. Westpac Banking Corporation was the majority owner when BT was listed as a separate business in 2007. Westpac sold down its holding from 59% to about 31% by 2015.

BTIM expanded into Europe with the acquisition of London-based boutique manager J O Hambro in 2011.

BEST MULTI-SECTOR FUNDS

GOLD WINNER RUSSELL

There's a simple way to match your appetite for risk with the allocation of assets

	FUND	APIR CODE	START DATE	RETURNS (%PA)			MER/ ICR (%PA)	MIN INV'T
				1 YEAR	3 YEAR	INCEPT		
1	Russell Balanced A	RIM0001AU	31-Oct-00	5.69%	10.80%	5.81%	0.88%	$10,000
1	Russell Diversified 50 A	RIM0003AU	31-Oct-00	5.33%	8.97%	5.98%	0.80%	$10,000
2	MLC Ws Horizon 4 Balanced	MLC0260AU	1-Jan-98	5.22%	10.51%	6.62%	0.99%	none
2	Schroder Balanced Wholesale	SCH0102AU	23-Aug-02	2.78%	9.46%	7.85%	0.90%	$25,000
3	BT Active Balanced Wholesale	RFA0815AU	19-Oct-89	8.81%	11.25%	7.75%	0.95%	$25,000
3	BT Balanced Returns Wholesale	BTA0806AU	1-Dec-89	8.85%	10.46%	7.26%	0.82%	$25,000

Source: Morningstar.

The funds were selected from those highest rated by research houses Morningstar (excluding mortgage funds), Zenith Investment Partners and Lonsec. For the Mortgage Fund and Property Securities Funds awards, SQM Research joined the panel. To qualify, each fund had to be open to new investment with a minimum initial investment of $25,000 or less. Funds were ranked according to the total points awarded for their rating by each research house. A further filtering process was then applied. Performance data is as at September 30, 2015. No winning fund or placegetter charges an entry fee.

Russell dominates this category for the second year in a row, with its Balanced A and Diversified 50 A funds taking equal top spot. Last year they were joined by a third Russell fund. These funds give investors exposure to a number of different asset classes.

Russell Balanced A is for investors looking for longer-term growth and willing to accept moderate to high volatility. It invests predominantly in growth assets and, at the end of September, held 27% in Australian shares and 30% in international shares, with 29% in cash and fixed interest. **Russell Diversified 50 A** has a 50-50 exposure to growth and defensive assets, with about 49% in cash and fixed interest, about 19% in overseas and shares and 18% in local shares.

Both funds had around a 12% allocation to alternatives at the end of August (September's market falls pushed this down to 9%). Morningstar says this is in contrast to many other multi-sector funds. "It was increased from about 10% to 12% during the firm's 2015 strategic asset allocation review as part of a broader set of shifts designed to prepare for future market conditions, which portfolio manager Andrew Sneddon thinks will offer low returns and high volatility relative to history," Morningstar says.

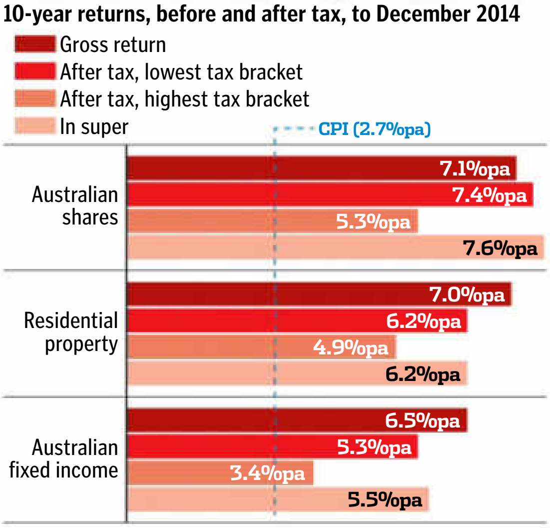
Sneddon says Russell has been successfully managing multi-asset portfolios since 1980, looking after $345 billion worth of clients' assets globally.

"We have built up expertise, scale and capabilities in each of five core areas needed to successfully design, construct and manage global multi-asset portfolios: capital markets research, asset allocation, manager research, factor exposures and portfolio implementation.

"Insights from capital markets and manager research are implemented to swiftly take advantage of market opportunities and avoid risks."

TAXATION MATTERS

10-year returns, before and after tax, to December 2014



SOURCE: RUSSELL INVESTMENTS LONG TERM INVESTING REPORT, JUNE 2015

BEST AUSTRALIAN SHARE FUNDS

GOLD WINNERS FIDELITY AND PERPETUAL

Even during phases of volatility, the right strategies can achieve strong returns

	FUND	APIR CODE	START DATE	RETURNS (%PA)			MER/ ICR (%PA)	MIN INV'T
				1 YEAR	3 YEAR	INCEPT[1]		
1	Fidelity Australian Equities	FID0008AU	30-Jun-03	1.87%	11.76%	12.68%	0.85%	$25,000
1	Perpetual Ws Sh Plus Long/Short	PER0072AU	14-Mar-03	3.73%	15.88%	13.10%	0.99%	$25,000
2	Perpetual Ws Concentrated Eq	PER0102AU	6-Aug-99	-2.71%	11.19%	11.56%	1.10%	$25,000
2	Perpetual Ws Ethical SRI	PER0116AU	3-May-02	5.55%	15.21%	12.48%	1.18%	$25,000
3	Antares Dividend Builder	PPL0002AU	6-Sep-05	4.80%	13.79%	7.82%	0.60%	$20,000
3	BT Core Australian Share	RFA0818AU	22-Sep-92	3.20%	11.54%	10.16%	0.79%	$25,000
3	BT Focus Australian Share Ws	RFA0059AU	1-Apr-05	4.79%	12.93%	8.75%	0.75%	$25,000
3	Greencape Ws Broadcap	HOW0034AU	11-Sep-06	-0.18%	11.37%	8.76%	0.95%	$10,000
3	Greencape Ws High Conviction	HOW0035AU	11-Sep-06	1.17%	10.96%	8.99%	0.90%	$10,000
3	Pengana Australian Equities	PCL0005AU	18-Jun-08	6.08%	11.11%	11.46%	1.03%	$20,000
3	Perpetual Ws Australian	PER0049AU	28-Feb-97	-2.39%	10.13%	10.97%	0.99%	$25,000

Source: Morningstar. [1]These returns since inception are to October 31, 2015.

Two of last year's gold winners, **Fidelity Australian Equities** and **Perpetual Wholesale SharePlus Long-Short**, have placed equal first this year. Fidelity, the biggest local share fund, also won in 2013.

Funds in this category have struggled to produce strong one-year returns from a volatile sharemarket but all the placegetters have produced double-digit average annual returns over three years.

"Fidelity Australian Equities keeps proving why it deserves to be considered among the best," Morningstar says. "Portfolio manager Paul Taylor finds ways to implement his signature style, focusing on backing the best business models in Australia, through all sorts of markets."

Taylor says Fidelity has two key competitive advantages when it comes to local equities: its investment team's strength and a global network's reach. "Every year the local team makes about 800 site visits, talking to all stakeholders, to build up knowledge of a stock. To place Australian companies in a global context, we supplement this with information from Fidelity's worldwide network. The local and global information creates a Fidelity snapshot of each stock and investment opportunities arise when this is different from the market's view."

The Perpetual fund is a 125/25 long-short strategy, meaning up to 25% of the portfolio can consist of short positions, Morningstar says. "While this long-short strategy won't be to everyone's taste, we believe the fund has what it takes to outperform over the long-term."

FACT FILE

Smooth out the ups and downs with a regular savings plan

The ability to buy units gradually over time without paying brokerage is one of the advantages that managed funds have over exchange traded funds (ETFs).

"Dollar cost averaging" – a regular deposit into an investment at regular intervals over time – is available through many managed funds offering regular savings plans. For example, Perpetual Equities allows investors to sign up for a savings plan and contribute as little as $100 each time.

Investors' regular contributions will buy more units in the fund when the price falls and fewer when the price rises. It's a particularly useful tool in volatile markets, as it smooths out the risks.

And savvy investors avoid paying for the convenience of a savings plan by dealing through a discount broker or direct with the relevant manager. Even those using an adviser can ask for a rebate of entry fees.

BEST AUSTRALIAN FIXED-INTEREST FUNDS

GOLD WINNERS PERENNIAL AND PIMCO

Beat the returns from a bank account without taking on unacceptable risks

These funds suit investors who want better returns than those available from bank accounts but don't want to take on a lot of risk. Two funds topped the category.

Perennial Fixed Interest Wholesale, a three-time winner, was recently acquired by Henderson Global Investors but the Perennial team is staying. It typically holds 50 to 100 domestic securities. "A sensible approach and a capable team leaves the fund well placed to outperform the benchmark and rivals in the long run," Morningstar says. "Its fair-value model identifies opportunities by comparing the market with where the team thinks interest rates should be."

The **PIMCO EQT Wholesale Australian Bond Fund**, which came third last year, is a domestic fund but can invest up to 30% offshore and 30% in high-yield securities. Its manager has a long-term view, believing that secular trends offer the best opportunities to add value when most market participants are focused on short-term factors," Morningstar says. "All up, it still has the ingredients that make it our No. 1 pick for Australian bond exposure."

	FUND	APIR CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	Perennial Fixed Interest Ws	IOF0046AU	28-Jun-94	5.86%	5.23%	7.52%	0.47%	$25,000
1	PIMCO EQT Ws Aust Bond	ETL0015AU	31-Jul-99	6.52%	4.68%	6.76%	0.50%	$20,000
2	Schroder Fixed Income Ws	SCH0028AU	15-Jan-04	4.45%	4.23%	6.35%	0.50%	$25,000
3	BT Fixed Interest Ws	RFA0813AU	14-Aug-92	8.09%	5.06%	6.96%	0.50%	$25,000
3	Nikko AM Australian Bond	TYN0104AU	30-Jun-00	6.41%	4.98%	6.46%	0.45%	$25,000

Source: Morningstar.

BEST INCOME FUNDS

GOLD WINNERS BENTHAM AND MACQUARIE

Looking for opportunities overseas and managing risk prove to be the keys to success

This is the category for investors wanting strong returns over a longer-term horizon of at least three years. Two funds share top spot.

Bentham Wholesale Global Income, a joint winner last year, gives access to global diversified opportunities that are not usually available to direct retail investors. "Bentham Global Income's high-conviction process allows its astute team to shine," Morningstar says.

"The team distinguishes itself by diligently identifying the particular nature of individual risks it seeks exposure to and sticking firmly to its judgement regardless of market noise."

Macquarie Income Opportunities, which came second last year, gives exposure to a diversified portfolio of credit-based investments. "The inexpensive Macquarie Income Opportunities manages credit risks prudently, which sets it on the path for long-term success, in our opinion," Morningstar says. "This capably led and time-tested strategy is an excellent vehicle within the pool of credit-focused portfolios."

Second-placed **PIMCO EQT Wholesale Global Credit** is for investors who want strong long-term returns and have a greater tolerance for risk and volatility.

	FUND	APIR CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	Bentham Ws Global Income	CSA0038AU	16-Sep-03	1.02%	8.43%	7.61%	0.72%	$10,000
1	Macquarie Inc Opportunities	MAQ0277AU	19-Sep-03	1.21%	4.03%	5.42%	0.49%	$20,000
2	PIMCO EQT Ws Global Credit	ETL0019AU	4-Dec-01	4.60%	5.23%	8.11%	0.61%	$20,000

Source: Morningstar.


BEST INCOME FUND
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BEST OF THE BEST 2015
Aiming for consistent income – year on year.
For two years in a row, the Bentham Global Income Fund has been recognised by *Money* magazine's Best of the Best Awards. We are proud to have once again received this award.
Providing 500 sources of income from a single investment, the Bentham Global Income Fund is focused on generating ***stable investment income*** through its ***diversified*** domestic and global credit market exposure.
To find out more about this award winning Fund, please call the Fidante Investor Services Team on **13 51 53** or visit **www.benthamam.com.au**
BENTHAM
ASSET MANAGEMENT

BEST MORTGAGE FUND

GOLD WINNER LA TROBE

Strong focus on first-class assets and investors' interests pays off

	FUND	APIR	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	La Trobe Aust Mortg, Pooled Opt	LTC0002AU	1-Oct-02	5.79%	6.29%	7.29%	1.50%	$1000

Source: Morningstar

The funds were selected from those highest rated by research houses SQM Research, Zenith Investment Partners and Lonsec. Each fund had to be open to new investment with a minimum initial investment of $25,000 or less. Funds were ranked by the total points awarded for their rating by each research house. Performance data as at September 30, 2015.

For seven years straight, **La Trobe's Pooled Mortgage Fund** has won this award. Again, it's the only mortgage fund deemed worthy of an award by our three judges, Lonsec, Zenith and SQM Research.

The fund was awarded a 4.25-star rating this year by SQM Research, up from its previous four stars, "reflecting our continued faith in the fund's skilled and experienced investment team", says SQM managing director Louis Christopher.

It has beaten its benchmark and peer group over the current year and since inception, he says.

"The La Trobe Financial multi-award winning fund has achieved another exceptional year of growth and is Australia's largest retail credit fund with more than $1 billion in investments serving 10,500 investors," says Chris Andrews, vice-president and CIO of La Trobe. "Our focus on investment-grade credit assets is producing a well-diversified portfolio of first-class assets for investors. Our investment and customer service philosophy is to focus on investors' interests first and we will continue to stick to this successful path."

BEST SMALL COMPANIES FUNDS

GOLD WINNERS NOVAPORT, PENGANA AND SGH

Look for a skilled team that can find growth opportunities at a reasonable price

If you invest in small companies, be prepared for short-term volatility. But longer term, say three years, most of our placegetters have produced double-digit annual returns.

Three funds have tied for the top spot. **NovaPort Wholesale Smaller Companies** holds 30-35 stocks and the manager's approach is to pay a reasonable price for companies with an improving profit-growth profile. "The quality in terms of the team and its track record cements our view that NovaPort is an excellent small-cap choice," Morningstar says.

	FUND	APIR CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	NovaPort Ws Smaller Companies	HOW0016AU	24-Jun-02	-2.14%	12.16%	15.04%	0.90%	$10,000
1	Pengana Emerging Cos	PER0270AU	1-Nov-04	7.95%	16.86%	13.56%	1.33%	$25,000
1	SGH ICE	ETL0062AU	10-Feb-06	16.77%	19.79%	12.23%	1.18%	$20,000
2	Ironbark Karara Aust SC	PAT0002AU	30-Jun-05	-1.30%	8.80%	13.65%	1.13%	$20,000
3	Aberdeen Aust Small Cos	CSA0131AU	21-Mar-01	10.54%	13.64%	11.65%	1.26%	$20,000
3	BT Smaller Companies Ws	RFA0819AU	31-Dec-92	7.09%	11.36%	13.29%	1.22%	$25,000

Source: Morningstar.

Pengana Emerging Companies, joint second last year, holds between 50 and 60 stocks. "It's a superb option for investors wanting small-cap exposure avoiding the resources sector," Morningstar says. "Its approach is to identify cheap growth in small companies."

SGH ICE, also joint second last year, has 30 to 50 stocks. Its strategy is to find firms with a sustainable competitive edge, Morningstar says. "Preferred companies have intangible assets that are difficult to replicate and are also likely to have entrenched market dominance and a degree of pricing power."

BEST PROPERTY SECURITIES FUNDS

GOLD WINNERS BT

An experienced team that understands the fundamentals drives the strong results

	FUND	APIR CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	BT Property Securities	BTA0061AU	1-Nov-97	19.02%	15.53%	7.21%	0.65%	$25,000
2	APN A-REIT	APN0008AU	19-Jan-09	18.17%	16.05%	15.99%	0.85%	$1000
3	Zurich Investments Aust Pr Sec	ZUR0064AU	28-Feb-00	17.51%	16.98%	7.57%	0.81%	$5000

Source: Morningstar.

For the Property Securities Funds awards, SQM Research joined the panel.

Consistently strong performance from real estate investment trusts (REITs) has resulted in property security funds, which mainly invest in REITs, providing very attractive five-year returns. The winner, **BT Wholesale Property Securities Fund**, placed third last year.

It offers investors access to a professionally managed portfolio of A-REITs and property-related businesses across all major geographic regions and within all major property sectors, says Louis Christopher, the managing director of SQM Research. "Its core investment style is to seek out mispricing opportunities in both 'value' and 'growth' A-REITs," he says.

"There is a focus on rigorous research and assessment of property fundamentals. Overall, an experienced and stable investment management team with a robust investment process and access to the broader resources at BT are key strengths of the fund."

APN A-REIT, last year's winner, has come second this time. The fund has either won the award, or gained a place, for the past six years. The minimum investment is $1000 and it's available through the Australian Securities Exchange's mFund service.

BEST INTERNATIONAL SHARE FUNDS

GOLD WINNERS ARROWSTREET, IFP AND MAGELLAN

Consistently high returns confirm that foreign fields are definitely greener for investors

	FUND	APIR CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	INCEPT	MER/ ICR (%PA)	MIN INV'T
1	Arrowstreet Global Equity[1]	MAQ0464AU	20-Dec-06	21.70%	28.44%	6.98%	1.28%	$20,000
1	IFP Global Franchise[1]	MAQ0404AU	17-Nov-04	25.57%	24.28%	10.82%	1.38%	$20,000
1	Magellan Global	MGE0001AU	29-Jun-07	27.48%	25.99%	12.20%	1.25%	$20,000
2	Walter Scott Global Equity	MAQ0410AU	18-Mar-05	20.12%	21.77%	7.76%	1.28%	$20,000
3	Grant Samuel Epoch GES Yld	GSF0002AU	15-May-08	16.38%	21.89%	8.32%	1.25%	$25,000

Source: Morningstar. [1]Arrowstreet's fund and IFP's fund also have hedged options which were rated as equal.

Another good year for international funds means that their three-year returns are particularly impressive. This year three funds take out top spot.

Arrowstreet Global Equity, equal first last year, typically holds between 150 and 450 stocks. "This vehicle is founded on well-trodden investment signals such as value, momentum and quality," Morningstar says. "Its outstanding team supports its standing as a great core global equities vehicle, in our view."

IFP Global Franchise, new to the winners' circle, holds 20 to 40 stocks. "Its unerring trust in its investment approach and the capabilities of its seasoned team sets it apart," Morningstar says. "Thoughtful investment process and investor-friendly practices mark it as an excellent global equities strategy."

Magellan Global, also equal first last year, ignores sector and country index weights. It believes an appropriately structured portfolio of 20-40 stocks can give sufficient diversification to ensure investors are not overly exposed to risk. "Magellan Global has ascended to the top tier of its class with impressive investment acumen and a sensible approach," Morningstar says.

RODNEY COMEGYS
HEAD OF INVESTMENTS FOR ASIA-PACIFIC, VANGUARD

BEST ETF PROVIDER VANGUARD

Portfolio POWER

Investors can find every building block they need, all at minimal cost, writes Susan Hely

IF YOU ARE LOOKING FOR A quality provider of essential investment tools it is hard to go past this year's best exchange traded fund (ETF) provider, Vanguard. It won all four ETF categories: Australian shares, international shares, fixed interest and specialty with its listed property securities fund.

These four winning index ETFs are great building blocks for do-it-yourself investment. They provide a sound, diversified portfolio at a rock-bottom price.

And, importantly, they are from Vanguard, which virtually invented index funds four decades ago and runs them with great expertise. Vanguard is unique because it is a not-for-profit investment manager, so has the investor's best interests at heart. "We only have one owner, the investor," says Rodney Comegys, who came to Australia two years ago to head Vanguard's investments for the Asia-Pacific region and is based in Melbourne.

It isn't an idle claim: as Vanguard grew in assets under management, it passed on the advantages gained with scale and lowered its fees. And costs continue to fall. In 1975, the average expense ratio for the Vanguard funds was 0.89%. Now it has cut its average fund expense ratio to 0.18%. Lower costs mean higher investment returns for investors.

"The success of these investments turn investors' dreams – like retirement or paying for their kids' education – into reality," says Comegys.

Investors have caught on to Vanguard's many benefits and, globally, have poured their money into its funds, which now hold $4.3 trillion.

GROWTH STORY

Vanguard is a not-for-profit mutual fund founded by investment legend Jack Bogle. It will celebrate its 20th year in Australia in 2016.

Vanguard manages $4.3 trillion globally, $600 billion of it in ETFs. It has 50 investment professionals in Melbourne. The other two investment centres are London and Malvern, Pennsylvania.

While two-thirds of Vanguard's US assets under management are active funds and a third are indexed, most of its Australian assets are indexed.

When Comegys came to Australia two years ago, Vanguard had nine ETFs and total assets of $10 billion. Now it manages 16 of the 126 exchange traded products listed on the ASX and assets have doubled. Investment in its ETFs is the fastest-growing part of Vanguard's Australian business, which includes running its indexed managed funds.

ETFs are becoming more mainstream for direct investors, because of their popularity with self-managed super funds (SMSFs) and with financial planners, particularly independent planners. More specialised and complex offerings have been added to the line-up, with 30 new ETFs launched this year. But Vanguard ETFs track broad indices rather than narrow parts of a market. Comegys says narrow products can produce high returns in the short term but are therefore more risky as they bring more downside if one or a couple of stocks crash "We want investors to have more broad diversification."

Comegys also says Australian investors are too narrowly exposed to the largest 10 stocks on the ASX, which make up around 50% of the market capitalisation of the S&P/ASX 200 and include the big four banks. As a result, many have been hurt by a 20% downturn in the banking sector.

Vanguard has rolled out new regional funds for Europe and Asia and has finessed its FTSE Emerging Markets Shares fund by broadening the diversification. This makes it the first ETF on the Australian market to offer exposure to China A shares (listed on the mainland exchanges).

Comegys is a fan of fixed-interest holdings, even at a time of low returns. "Fixed interest anchors the portfolio and is a less volatile type of ride compared with equities," he says. Vanguard has launched two global fixed-interest ETFs to fill a void in the asset class.

In recognition of the need to supply all types of low-cost products, Vanguard is launching its first active fund in Australia. Known as a managed payout fund, it is designed as a retirement product that preserves the capital and pays a 4% income, set up along the lines of a US endowment fund. It invests in 13 Vanguard index funds that encompass a range of local and global bonds, shares, property, commodities and infrastructure for a total management fee of 0.55%.

Australian investors have had an amazing return over the past decade but Comegys says they need to change their expectations. "What happened in the past isn't going to happen in the future," he says.

BEST AUSTRALIAN SHARE ETFs

GOLD WINNER VANGUARD

Low-fee, diversified index trackers have become the building blocks of many a portfolio

	ETF	ASX CODE	START DATE	RETURNS (%PA) 1 YEAR	3 YEAR	5 YEAR	INCEPTN	FEE (%PA)
1	Vanguard Australian Shares	VAS	4-May-09	-0.82%	8.94%	6.14%	8.51%	0.15%
2	SPDR S&P/ASX 200	STW	24-Aug-01	-1.03%	8.97%	6.17%	6.94%	0.29%
3	BetaShares Aust Top 20 Eq Yld Max	YMAX	22-Nov-12	-6.29%	–	–	5.20%	0.59%
3	BetaShares FTSE RAFI Australia 200	QOZ	10-Jul-13	-1.76%	–	–	5.32%	0.30%
3	Russell Australian Value	RVL	18-Mar-11	-5.24%	8.95%	–	7.46%	0.34%
3	Russell High Div Aust Shares	RDV	14-May-10	-0.91%	10.93%	7.26%	6.83%	0.34%
3	SPDR MSCI Australia Sel High Div Yld	SYI	24-Sep-10	-3.66%	8.32%	6.84%	6.35%	0.35%
3	SPDR S&P/ASX 50	SFY	24-Aug-01	-1.89%	9.14%	6.75%	7.07%	0.29%
3	UBS IQ Research Preferred Aust Share	ETF	18-Oct-12	-2.49%	–	–	5.13%	0.70%

Source: Morningstar.

Exchange traded fund category winners were selected from those rated highest by research houses Morningstar, Lonsec and Zenith Investment Partners. The ETFs were ranked according a point system based on the ratings from each research house. A further filtering process was then applied. Performance data is as at September 30, 2015.

Broad tracking of the largest 300 Australian shares and property trusts has helped **Vanguard's Australian Shares Index ETF** win this year's award.

This low-cost, liquid, passively managed listed fund covers about 80% of the sharemarket and gives exposure to more mid-cap listed companies than some competitors. The strategy protected Vanguard's fund from the worst of the downturn in the banking sector – 20% since March – which hit heavily funds that hold a narrower universe of top shares.

Its return is boosted by a low fee of 0.15% a year, around half that of most competitors, such as the BetaShares Australian Top 20 Equity Yield Maximiser (0.59%) and the UBS IQ Research Preferred Australian Share Fund (0.7%).

The Vanguard fund's tax-effective gross distribution yield of 4.1% in the year to September 30 is some consolation for the sharemarket's 4.9% fall in the same period. It suits investors who want long-term capital growth and tax-effective income with a minimum time horizon of five years.

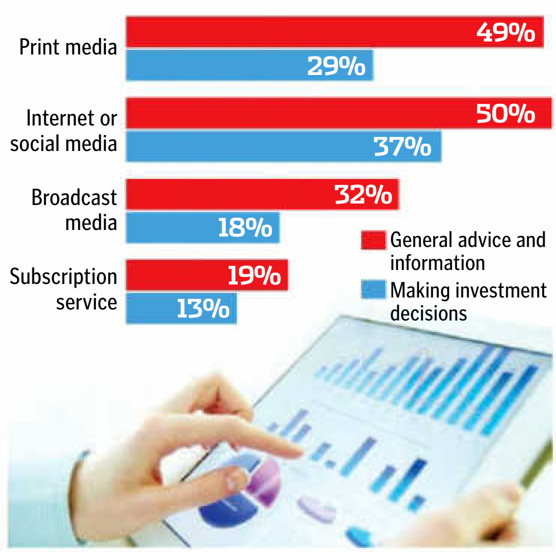
Second placegetter **SPDR S&P/ASX 200 Fund** and Vanguard's offering are typical of straightforward, easy-to-understand index-tracking ETFs that have become the building blocks of Australian investors' portfolios. Providing low-cost, instant exposure to the largest Australian companies, they are ideal core investments.

Several funds share third place. Among them, the smart-beta, high-income ETFs employ a range of strategies. For example, **BetaShares Australian Top 20 Equity Yield Maximiser** uses derivatives to generate additional income.

Some high-dividend ETFs target specific sectors to differentiate themselves. For example, the **Russell High Dividend Australian Shares ETF** invests in listed property trusts whereas the **Australia Select High Dividend Yield** fund avoids stocks in this sector.

ONLINE NUDGES JUST AHEAD

Where direct share investors go for information and advice



SOURCE: ASX, THE AUSTRALIAN SHARE OWNERSHIP STUDY, JUNE 2015

BEST SPECIALTY ETFs

GOLD WINNER VANGUARD

A weakening Australian dollar, coupled with low investment fees, have boosted returns

Vanguard Australian Property Securities Index ETF has won this specialty ETF category for the fourth consecutive year, delivering a gain of 19.87% for the 12 months to September 30.

Investors' hunt for yield has held up the listed property sector, despite Australian residential property being under pressure. The sector has topped local sharemarket returns this year.

Vanguard's fund gives investors diversified exposure, spanning retail, office and industrial investments included in the S&P/ASX 300 A-REIT Index. Its distribution was 5.73% for the year.

Its low investment management fee of 0.25% is a fifth the price of the average actively managed A-REIT fund. This lower fee means bigger returns for investors.

Our second-placegetter, the **SPDR S&P/ASX 200 Listed Property Fund**, tracks the S&P/ASX 200 A-REIT Index.

In joint third place, **BetaShares US Dollar ETF** has benefited from a plunging Australian currency, as has the **SPDR Dow Jones Global Real Estate Fund**.

	ETF	ASX CODE	START DATE	RETURNS (%PA)				FEE (%PA)
				1 YEAR	3 YEAR	5 YEAR	INCEPTN	
1	Vanguard Australian Prop Securities	VAP	11-Oct-10	19.87%	16.00%	–	13.27%	0.25%
2	SPDR S&P/ASX 200 Listed Property	SLF	15-Feb-02	19.94%	15.75%	13.20%	5.00%	0.40%
3	BetaShares US Dollar	USD	31-Jan-11	24.04%	13.46%	–	7.32%	0.45%
3	SPDR Dow Jones Global Real Estate	DJRE	1-Nov-13	29.89%	–	–	21.80%	0.50%

Source: Morningstar.

BEST INCOME ETFs

GOLD WINNER VANGUARD

A collection of quality bonds should appeal to those needing regular income

With interest rates so low, keeping the fees right down on your income investments is more important than ever. Vanguard is the investment industry's leader in the low-fee department and **Vanguard Australian Fixed Interest Index ETF** wins our gold award.

The fund invests in a quality, diversified portfolio that holds commonwealth government, state government and treasury corporation bonds – about 72% are rated AAA and 20% are rated AA. It also holds about 8% in investment-grade corporate issuers that have a credit rating of A or BBB. All up, there are 476 bonds from 184 issuers. The ratings are by ratings houses such as Standard & Poor's and the fund tracks the Bloomberg AusBond Composite 0+ Yr Index.

It suits investors who want a stable, quarterly income from an investment with relatively modest returns. Vanguard says it is for those with a medium-term horizon, three to five years.

Joint second-placegetter **BetaShares Australian High Interest Cash ETF** has proved popular with investors who want a cheaper alternative to cash management trusts, which have an average management fee of about 0.64% a year.

In equal second is the **iShares Composite Bond ETF**, which holds 86% of its securities in quality government bonds.

	ETF	ASX CODE	START DATE	RETURNS (%PA)				FEE (%PA)
				1 YEAR	3 YEAR	5 YEAR	INCEPTN	
1	Vanguard Australian Fixed Interest	VAF	29-Oct-12	6.74%	–	–	4.94%	0.20%
2	BetaShares Aust High Interest Cash	AAA	6-Mar-12	2.88%	3.42%	–	3.61%	0.18%
2	iShares Composite Bond	IAF	12-Mar-12	6.75%	4.72%	–	6.07%	0.24%

Source: Morningstar.

BEST INTERNATIONAL SHARE ETFs

GOLD WINNER VANGUARD

Thanks to a weaker Australian dollar, local investors who ventured into overseas markets have done nicely

	ETF	ASX CODE	START DATE	RETURNS (%PA)				FEE (%PA)
				1 YEAR	3 YEAR	5 YEAR	INCEPTN	
1	Vanguard All-World ex US Shares	VEU	12-May-09	10.51%	17.19%	8.85%	7.92%	0.14%
1	Vanguard US Total Market Shares	VTS	12-May-09	23.29%	27.99%	20.68%	16.62%	0.05%
2	SPDR S&P Global Dividend	WDIV	1-Nov-13	17.66%	–	–	15.12%	0.50%
2	SPDR S&P World ex Aust (Hedged)	WXHG	8-Jul-13	0.04%	–	–	9.45%	0.48%

Source: Morningstar.

Australian investors have been rewarded for going global and holding shares denominated in the strong US dollar. Vehicles for achieving these higher returns include two of **Vanguard's** highly diversified, low-cost global ETFs, which share the gold award this year: the **All-World ex US Shares Index ETF** and the **US Total Market Shares Index** fund.

If you want exposure to the world's technology giants – such as Apple, Google and Microsoft – the Total Market Share fund gives you exposure to virtually the entire list of investable US shares – large, mid-size and small companies – for a 0.05% annual fee. This means you pay $5 a year for each $10,000 invested to cover expenses.

The fund tracks the CRSP US Total Market Index, which includes some 4000 large, mid-, small and micro-cap shares listed on the New York Stock Exchange and Nasdaq stock exchange, making it much broader than the S&P 500 (same exchanges but just the largest 500).

The fund gives you good exposure to sectors that are underrepresented on the ASX, such as technology stocks, which are 16% of the ETF's portfolio, and healthcare, at 14%.

It returned 23.2% over the year to September 30.

The All-World ex US ETF gives you the rest of the world's key sharemarkets for an annual fee of 0.14%. It tracks the FTSE All-World ex US Index by investing in about 2500 stocks of companies based in 44 countries. Roughly 30% of its assets are invested in Europe, 17% in emerging markets, 17% in Japan, 15% in the UK and 7% in Asia. It returned 10.5% for the year.

Such strong returns have attracted local investors and influenced the launch of 25 new global ETFs on the ASX. The two Vanguard global funds are classic, diversified index funds backed by physical shares. There are plenty of niche global ETFs.

In second place, **SPDR S&P Global Dividend Fund** targets companies that pay strong dividends. Tying in second place is **SPDR S&P World ex Australia (Hedged) Fund**, which, because it is hedged, did not benefit as much from the weakening Australian dollar, with consequent lower returns.

TRADERS GO WHERE THE ACTION IS

Which international markets online traders want to access

SOURCE: INVESTMENT TRENDS TRADING BEHAVIOUR SURVEY, 2015 FIRST HALF

CHEAPEST MARGIN LOANS

GOLD WINNER WESTPAC

Thanks to competition, this is a good time for investors to gear their portfolio

Westpac's variable and fixed rates for margin loans have proved hard to beat this year. Indeed, increased competition this year means interest rates have fallen across the board.

Letting you borrow against a big range of shares and managed funds, Westpac's online investing account charges no application or establishment fees.

Approved borrowers can gear their portfolios up to a maximum of 75%, with a maximum loan balance of $500,000. Individual securities have loan-to-valuation ratios starting from 30%.

	BANK	RANKING RATE	ADVERTISED RATE	
			VARIABLE ($50,000)	1YR FIXED IN ADVANCE
1	Westpac	5.20%	5.45%	4.70%
2	nabtrade	6.26%	6.65%	6.15%
3	Suncorp Bank	6.41%	7.14%	6.49%

Source: CANSTAR.

The winners were ranked by a scoring system for loans of $50,000, $250,000 and $500,000 using a rate based on: the 6-month average historical variable rate (30%) and the variable rate at September 1 (30%); and the one-year, fixed-in-advance rate at June 1 (40%). The loan was required to allow borrowing against shares and funds.

The loan is integrated with a Westpac online investing account, enabling customers to trade online and settle directly to their investment loan 24/7. Investors get a complete picture of their borrowings and shares in the one place.

Second-placed **nabtrade** also has done away with establishment and service fees and offers customers access to a dedicated account manager to assist with queries. Rate discounts may be offered for large loans. You may be able to borrow up to 80% of the market value of certain approved assets.

Third-placed **Suncorp Bank** doesn't charge application or account-keeping fees either. You can open a Suncorp margin loan and share trading account with one application.

BEST-FEATURED MARGIN LOANS

GOLD WINNER ANZ

An extensive securities list provides greater choice for qualifying investors

ANZ and CommSec continue to battle it out for top spot in this category, with **ANZ** regaining the crown after placing second last year.

What set ANZ apart this year is the higher number of shares outside the ASX 200 on which it offers margin loans, says Mitchell Watson, research manager at Canstar, our research partner for these awards.

As the table shows ANZ has close to 170 more approved stocks than runner-up CommSec.

ANZ customers who qualify as holding a diversified portfolio of at least four approved securities, with no more than 25% of the portfolio in one stock, can borrow against securities on the more extensive approved list, including many small and mid-caps.

	BANK	VARIABLE RATE	MARG. CALL CONDNS	BUFFER MARGIN SHARES	NO OF ASX 200 SHARES	NO OF APPR STOCKS
1	ANZ	7.34%	24hrs	5%	198	658
2	CommSec	7.13%	24hrs	5%	197	491
3	St.George	7.23%	36hrs	10%	191	362

Source: CANSTAR.

The winners were ranked by their scores for features offered and securities accepted.

CommSec says its loan provides online tools including real-time loan prices and gearing ratios, a hypothetical transactions simulator, cash and share transfers, fixed-loan applications, credit limit and linked bank account management, plus access to rewards when you hold a diversified portfolio.

St.George secured third spot last year too. As with ANZ, it offers a "diversified feature", which means investors who hold three or more qualifying securities get access to an extended range of equities ("bonus" securities), where a loan-to-valuation ratio (LVR) would not normally be applied.

All three offer instalment gearing, dividends paid to bank accounts and margin call/buffer examples on their websites.

BEST FEATURE-PACKED ONLINE BROKERS

Money MAGAZINE AWARDS 2016 · BEST OF THE BEST 2016

GOLD WINNER COMMSEC

Education and research tools boost investor confidence

BROKER	FEATURES						BASIC PRODUCT	ACCT FEE	ASX SHARES ONLINE TRADE	
	INT'L SH	SHARE PACKS	CFD TRADING (DIRECT) AUST EQUIT	CFD TRADING (DIRECT) S&P/ASX 200	CFD TRADING (DIRECT) CURRENCY PAIRS	ANY ACCT FOR SETTLING			FEE RANGE	TRADE RANGE
1 CommSec	✓[1]	✓	✓	✓	✓	✓	Share Trades Internet Preferred	none	fr $19.95 to 0.12%	< $10,001 $25,001+
2 Westpac Online Investing	✓[1]	✗	✗	✗	✗	✓	Integrated Account	none	fr $19.95 to 0.11%	up to $18,137 $18,137+
3 CMC Markets Stockbroking[2]	✗	✗	✗	✗	✗	✗	Classic	none	fr $11 to 0.1%	up to $11,000 $11,000+

Source: CANSTAR. [1]Separate trading account required. [2]CMC Markets offers CFD trading but through a separate arm of the company.

The winners scored points for features offered, based on a scenario for a casual investor (trading occasionally, with a long-term strategy). More than 100 features were considered.

CommSec has proven once again that it's the best online broker – as well as the biggest – in the country, taking out this award for the ninth year in a row.

"By offering advanced charting tools, exceptional client services and support, CommSec has defied strong competition to win again this year," says Max Lin, research analyst with Canstar. "The broker also sets itself apart from its competitors in education by providing online seminars, workshops and relevant educational material to equip its clients with informed trading knowledge."

CommSec's managing director, Paul Rayson, says: "We strive to provide the tools, guidance, research and support to help Australians invest online with confidence.

"We recently relaunched our international trading platform to make investing in international shares easier and more affordable, as well as an exciting new online tool – CommSec IQ – which allows you to trade from any page you are browsing online via Chrome.

"In the coming year we will be upgrading our leading CommSec mobile app, as well as our active trader research platform."

Westpac took second spot, as it has in the past two years. "Westpac provides internet, phone access and also design mobile apps for iPhone, iPad, Android or tablet to give clients better accessibility," says Lin.

Joining the winners' circle this year is **CMC Markets**, also winner of the Cheapest Online Broker award for six years straight. "CMC came up to take the third spot by offering outstanding value in research tools, trading account security and various trading securities and markets," says Lin.

"All three winners provide an exceptional margin loan feature with a margin loan linked to an investor's account and a fast, streamlined, reliable trading platform," says Lin.

A GLOBAL SEARCH FOR RETURNS

Proportion of active online investors using mobile in relation to share trading

SOURCE: INVESTMENT TRENDS, SEPTEMBER 2015

CHEAPEST ONLINE BROKERS

GOLD WINNER CMC MARKETS

Price isn't everything – ease of use and security are also important features

For six years in a row **CMC Markets** has reigned as Australia's cheapest online broker. But CMC is far from being just a discount broker, as highlighted by its third placing in this year's Best Feature-Packed Online Broker award (see previous page).

CMC has also secured Canstar's best-value online share trading award five years in a row. Canstar said: "It's not all about price though; CMC Markets also scored highly on features, particularly with regards to accessibility, ease of use, margin loan facility, reporting and security. It offers a number of investor events around the country each month and has some excellent online education materials. There are also more than 20 chart indicators and measurements available that can be customised to suit the needs of investors, as well as an extensive research centre."

	BROKER	PRODUCT	ASX SHARES ONLINE TRADE	
			FEE[1]	TRADE FREQUENCY
1	CMC Markets Stockbroking	Classic	$11 or 0.1% $9.90 or 0.08% $9.90 or .075%	1-10 trades pm 11-30 trades pm 31+ trades pm
2	First Prudential Markets	FP Onliner	$14.95 or 0.11%	per trade
3	Bell Direct	Silver	$15 $25 0.1% $13 or 0.08% $10 or 0.08%	$0 to $10,000; 1-10 trades pm $10,000+ to $25,000; 1-10 tr pm $25,000+; 1-10 tr pm 11-30 trades pm 31+ trades pm

Source: CANSTAR. [1]Whichever is greater.

The winners were ranked by the cost of a $10,000 trade. Ongoing and set-up fees were included.

Canstar gave CMC a five-star rating for each investor category (casual investor, active investor and trader) for the second year.

CMC received a service excellence award in the Australian Business Awards 2015. "We are delighted to be recognised for our strong customer service," said Matthew Lewis, head of CMC Markets Asia Pacific in a statement. "We've adopted a client-centric culture, using customer feedback to inform and drive innovation across our platform, product and education services."

First Prudential Markets took second place for the fifth straight year.

CHEAPEST NON-ADVISORY PHONE BROKERS

GOLD WINNER FP MARKETS

A free education program and daily market reports are a bonus for the cost-conscious

Its long-held custom of not penalising investors who prefer to trade over the phone, rather than online, has helped **First Prudential Markets** take out this award for the seventh year in a row.

As all other online brokers charge a premium for trading over the phone, FP Markets has carved out a niche. And, as seen from the table, the gap between it and other brokers for phone trading has widened, with FP's fee now less than half that of its closest rival. Last year the gap was about 25%.

Apart from cheaper fees, the broker has a strong list of features which earned its IRESS investor platform a four-star rating from Canstar. This includes a comprehensive education offering. Free to all clients, it comes in many forms including electronic booklets, on-demand webinars, guest webinars and face-to-face seminars held around Australia.

All share-trading clients get access to the broker's daily market report, designed to keep them up to date with global and local developments and help them make informed decisions.

Morrison Securities took second spot after coming in third last year. As can be seen from the table, its $40 fee for phone trades covers those up to $40,000, so would suit those investors trading larger amounts.

	BROKER	PRODUCT	ASX SHARES PHONE TRADE		
			$10,000 TRADE FEE	FEE	TRADE RANGE
1	FP Markets	IRESS Investor	$14.95	$14.95 0.11%	$0-$13,590 $13,591+
2	Morrison Securities	htmlIRESS	$40.00	$40.00 0.1%	$0-$40,000 $40,001+
3	Suncorp	Share Trade	$49.95	$49.95 0.33%	$0-$14,999 $15,000+

Source: CANSTAR.

The winners were ranked by the brokerage cost of a $10,000 phone trade. Ongoing and set-up fees were included.

Suncorp, in third place offers clients dynamic charting, analysis and trading webinars.

Super returns have come under pressure, making it essential to be in a competitive fund

TAKE CHARGE of your future

THE FIRST THREE months of the 2015-16 financial year have been a challenging time for super fund members: the median balanced fund has fallen 1.6%. However, this does come on the back of strong positive returns over the past five years – since the depths of the GFC.

When you see double-digit returns on your super account each year, it would seem to be doing fine. However, if most other funds have been doing substantially better, is it really doing well enough? Being engaged with the progress of your superannuation fund and your particular account is vital.

This is the best first step you can take and it could pay big dividends for you at retirement. If we look at balanced options, which is where most people are invested, over the past decade the top return was 7.3%pa and the worst was a meagre 2.9%pa. That could be the difference between building your nest egg nicely and barely keeping up with inflation. Once you remember that this difference is not over one year but each year for 10 years, it will provide sobering reading if you happened to be one of the unlucky members in the bottom-performing fund.

While there is a lot of focus on fees, they should not be considered in isolation. You want to make sure that your administration fees are competitive – on average they are $78pa and 0.25% of your account – but you should take less notice of your investment fees.

Chasing low investment fees can be self-defeating, as sometimes an investment strategy may cost more because it has the potential for higher returns. So overall the best step you can take is to check how your fund has gone over the long term by looking at investment returns after all fees and taxes have been deducted – ensure you are in control of your retirement.

You don't need to check on your super all the time but you should definitely know where it is, why you have it there and how well your fund is helping you prepare for retirement.

Kirby Rappell
Research manager,
SuperRatings

GETTY IMAGES

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SUPERSAVVY.COM.AU

New to superannuation? Or do you need to find out more about an aspect – such as salary sacrifice. The website is like an encyclopedia – highly informative and easy to understand. Whether beginner or an experienced investor running a DIY fund, your first port of call should be SuperSavvy (along with *Money's* 2015 Super Guide). It has a handy glossary tab, which you can bookmark and refer to when needed.

RATECITY.COM.AU/SUPERANNUATION

Naturally you're serious about your retirement savings, so you'll want to check your super fund is up there with the better performers. It's also important to make sure you pay low fees, so they're not eating away at your hard-earned savings. RateCity can help you compare funds by performance, fees and rating (from SuperRatings). It's free, so check it regularly to see how your fund is performing.

FINDMYBESTSUPER.COM.AU

How much do you need to retire? Estimates vary but most sources say a couple needs $1 million in savings to maintain a comfortable lifestyle. FindMyBestSuper's super calculator helps you determine if you're on track. You can plug in your details and see how much you could make or lose if your situation changes – you receive a pay rise, change your risk profile or make extra contributions.

TECH REVOLUTION

What changes, if any, can we expect to super or self-managed super in 2016?

Hardly a year goes by without speculation about what superannuation rules will change and who will be affected. But this time it's different as it's the super industry itself pushing for change.

Driving the tactical about-face is that the super industry knows public sentiment has shifted and that change is coming so, rather than be pushed around by the changes, the industry wants to help shape them. This is why the industry has been pushing the government to reform taxation concessions, even to the point of setting limits on them.

But as radical as this sounds, it's a sideshow. The biggest changes to super are coming through digital technology advances, forcing super management groups to get smarter, lower fees and improve their products. And the pace of this change isn't slowing; in fact, it's speeding up and in 2016 it's coming after the super industry.

This factor is why so many of them are merging, ramping up their technology capabilities and becoming more flexible about the types of investments they offer.

Consumers have waited decades for this revolution. They should exploit it to the fullest to remind product providers that super was invented for consumers, not for companies that make their living from it.

Alex Dunnin
Head of research, Rainmaker
selectingsuper.com.au

DIY STRATEGIES

Should SMSF investors change their asset allocations to take advantage of changing markets?

Asset allocations are not something that should jump around like a cat on a hot tin roof – they are for the long term. However, if fund trustees expect significant changes in the economy, then a change in strategy is worth considering. That may allow them to pick up increased value if there is an upswing or help hold value if there is a downturn.

Any change in the investment mix would usually be to rebalance the portfolio to bring the asset allocation in line with the fund's long-term goal. If the volatility of investment markets is expected to be outside what would be considered a normal price range, trustees should put on their thinking caps to work out what investments would act to protect the fund if there were a downturn. While it may sound odd, a similar approach should be adopted if large price increases in investments are expected, in case markets are considered to be "overheated".

Mid- to long-term forecasts for the Australian economy have not been all that accurate, so it may be worthwhile to consider whether the portfolio has the right mix of investments to weather the potential storm. This could be done by considering those investments that are regarded as less volatile and will assist the fund in being able to pay its bills over the next three to five years.

Graeme Colley
Director of technical and professional standards, SMSF Association

AGE PENSION

What can retirees do to protect their income stream in view of changes to the assets test?

The reduction of the upper threshold in the assets test means many people will lose their part-pension from 2017. But more will receive the full pension, as the lower threshold is also going up.

People with assets above the new upper threshold are looking for ways to keep a part-pension. Gifting provisions allow $10,000 to be deducted from your assets each financial year, up to $30,000 over five years.

Some plan to spend large amounts over the next year to reduce assets and keep a small level of pension. But is it really worth spending $200,000 and losing upwards of $4000-$6000 a year in earnings, to achieve a few dollars in pension?

If there is money you are planning to spend, it may be prudent to do this before January 1, 2017. However, you shouldn't just spend for the sake of it. Money spent now is not available for the future and you might need it for income in later years.

The pension will be there to assist you when your assets fall below the upper threshold. Just because you lose the pension now doesn't mean it is gone forever. In the meantime, you could retain some benefits through the commonwealth seniors healthcare card, since those rules have not been changed.

Cathy Lowder
Financial planner, Fryer Financial Services

BEST SUPER FUND MANAGER

GOLD WINNER CARESUPER

Value is what matters

JULIE LANDER
CEO, CARESUPER

Most funds are working harder to improve members' savings – just make sure yours is one of them, writes SuperRatings CEO Adam Gee

IT HAS BEEN ANOTHER big 12 months for superannuation funds, with MySuper now in its second year. MySuper products are having a big impact and the focus on fees is ever increasing. But a single focus on fees will not maximise outcomes and must be balanced by a focus on value and investment returns.

It is crucial that Australians ensure they are in the right fund. But the sheer volume of information available and industry jargon can make selecting a super fund daunting, not to mention time-consuming. This year we reviewed over 440 super products and a further 170 pension products that are open to all Australians to find the funds that are the best value for money.

SuperRatings' criterion is deceptively simple: the best fund should have provided members with the best overall "value for money". To get to this outcome, we have been through a rigorous process: we reviewed disclosure documents and websites to obtain investment performance, fees and insurance cover; and we looked at features that aren't as easy to measure – the quality of member education, financial advice, member servicing, administration and fund governance. We believe our ratings process is the most comprehensive indicator of what benefits members ultimately receive.

Competition was strong this year and it has been pleasing to see the improvements in online functionality across the industry. Most super funds are working hard to improve member outcomes but the differences among funds are significant. While retirement may seem far away, the benefits are larger the sooner you act.

We are pleased to report that Melbourne-based CareSuper has been named *Money*'s Best Super Fund Manager for the first time. CareSuper's strong investment performance set it apart and this was complemented by a wide range of enhancements that improved its value for money and made it a worthy winner of this year's award. It is also pleasing that, although the fund is not small, managing more than $10 billion worth of 250,000-plus members' savings, it maintains a personalised service offering.

CareSuper has made significant enhancements to its online capabilities, with a full review of the way it interacts with its members to make it simpler and more engaging. This is exemplified by its interactive annual statements, which include retirement projections.

CareSuper's investment performance stands out over all assessed time periods. As at June 30, 2015, the fund's default balanced option returned 7.4%pa over 10 years, compared with an industry average of 6.4%. It has a proud tradition of active management of investments, adding significant returns to accounts over the long term. While CareSuper's investment fees may not be the cheapest, the fund has delivered outstanding returns on a net-of-fee basis. The fund's percentage-based administration fees (0.2%pa) are capped, with no fee on the portion of an account balance over $250,000.

CareSuper's income protection cover is better than average for all occupations and genders. Terms and conditions are reasonably flexible, and automatic levels of cover are relatively high, although pre-existing conditions may not be covered for new members.

CareSuper is also a leader in customer service. It has a wide range of education materials and interactive calculators and an online tool makes it easy to consolidate accounts. The fund also offers access to full financial advice on a fee-for-service basis.

SUPER STATS	CARESUPER	SR50 MEDIAN[1]	MEASUREMENT
Fees	$638	$644	On a $50,000 account balance in the accumulation division
Returns	7.4%pa	6.4%pa	Annual return over the past 10 years to June 30, 2015
Insurance cover	$50,232	$48,288	Death and permanent disablement cover for a $1 a week payment, 35-year-old male non-smoker in a blue-collar job

Source: SuperRatings [1]SuperRatings' SR50 Balanced Index median.

BEST PENSION FUND MANAGER
GOLD WINNER AUSTRALIANSUPER

IAN SILK
CEO, AUSTRALIANSUPER

In strong hands

High returns and flexible products deliver for retirees, writes SuperRatings CEO Adam Gee

PENSION STATS	AUSTRALIANSUPER	SRP50 MEDIAN[1]	MEASUREMENT
Fees	$1778	$3086	On a $250,000 account balance in the pension division
Returns	7.6%pa	6.7%pa	Annual return over the seven years to June 30, 2015

Source: SuperRatings [1]SuperRatings' SRP50 Balanced Index median.

AUSTRALIANSUPER has been named *Money*'s Best Pension Fund Manager for the first time. One in a field of more than 170 offerings, its Income Account has been recognised for its strong investment outcomes and a high flexibility. Since launching its retirement product in 2008, AustralianSuper now manages over $10 billion worth of savings for more than 30,000 pension members.

AustralianSuper's returns, net of fees and taxes, are strong across short and long terms. As at June 30, 2015, the fund's balanced option returned 7.6%pa over 10 years for pension members, which was well above the industry average of 6.7%. AustralianSuper is known for its exposure to active investment managers and now manages a greater portion of its assets internally, to enhance member outcomes. This has been a big change for the fund and the early results are promising.

AustralianSuper's fee structures for pension members are very competitive and sit 42% below the industry average. Pension members pay a low $1.50 a week plus 0.11% of their account balance each year in administration fees, while the fund's investment management fee for its balanced option is 0.57%pa (including performance fees). This structure is complemented by a tailored fee structure for pension members, which results in the fund's percentage-based admin fee being capped at $750 a year. This recognises that pension members, on average, have higher account balances and ensures that charges are competitive for higher-balance members.

If Income Account members require access to a one-off withdrawal for any unforeseen expenses, they can make the request online and receive the funds in their nominated bank account within two business days.

However, a good pension product is not just about returns and fees. In the pension phase, product flexibility is an important consideration, as it is crucial that pension members can control of their savings on terms that suit them. AustralianSuper's Income Account performs particularly well in this area: members can access scaled advice on transition to retirement (TTR) strategies via its phone service, while the topic of TTRs is also covered at member seminars. AustralianSuper's Choice Income Account also makes pension payments at chosen frequencies – fortnightly to annual – with a selection of multiple pension payment dates and the ability to increase payments automatically by inflation each year.


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BEST BALANCED SUPER FUNDS

GOLD WINNER CARE SUPER

Members benefit from good returns and extra services, including one for tax refunds

	FUND	OPTION	OPTION SIZE	RETURNS 1 YEAR	3 YEAR	5 YEAR	ANNUAL COST, $50,000
1	**CareSuper**	Balanced	$7464m	10.8%	13.2%pa	10.31%pa	$638
2	**HOSTPLUS**	Balanced	$14,562m	11.0%	13.6%pa	10.28%pa	$538
3	**AustralianSuper**	Balanced	$63,397m	10.9%	13.4%pa	10.20%pa	$363

Source: SuperRatings.

The winners were selected from SuperRatings' platinum-, gold- and silver-rated funds. To qualify, each fund had to be a public-offer fund with more than $3 million under management and to have at least a five-year track record. Winners were chosen on the basis of five-year performance, net of all fees and fund taxes – except in the lowest-cost, pension, insurance and green categories.
Returns and fees are as at June 30, 2015. Fees and other features may have changed since that date. Fees include an estimate of performance fees based on most recent fund report.

It is the first time **CareSuper** has won this award. The public offer fund was originally set up for the administrative and managerial industry and now has 250,000 members and $10.5 billion under management.

Good returns from a wide range of investments, including private equity, infrastructure, shares, property and fixed interest, contributed to the fund's performance. CareSuper CEO Julie Lander says the fund's asset consultant, JANA, owned by NAB, is a firm believer in active investment management.

CareSuper has introduced member benefits such as a discounted tax return service, which provides a same-day refund of up to $1000 – $165 for a standard return. It also offers a comparison tool that allows members to see if they might be better off switching funds.

If you join CareSuper through your employer, you automatically receive default life and total and permanent disability insurance but members have to elect to take out income protection.

The fund's fee of 0.92% may not be one of the lowest in the industry but Lander says that a focus on fees doesn't always get investors the best results. "Sometimes you pay a little bit more and the benefits are worth it," she says.

BEST GROWTH SUPER FUNDS

GOLD WINNER FIRST STATE SUPER

Higher returns over time are the reward for taking on greater risk and volatility

	FUND	OPTION	OPTION SIZE	RETURNS 1 YEAR	3 YEAR	5 YEAR	ANNUAL COST, $50,000
1	**First State Super**[1]	High Growth	$2951m	11.9%	15.8%pa	11.96%pa	$377
2	**CareSuper**	Growth	$564m	11.8%	15.7%pa	11.21%pa	$638
3	**AustralianSuper**	High Growth	$4192m	12.7%	15.4%pa	11.16%pa	$463

Source: SuperRatings. [1]Employer sponsored division. Fee estimates do not include performance fees.

First State Super High Growth (employer sponsored), with its low cost and strong performance, is our top fund. It is one of Australia's biggest super funds with 750,000 members and $52 billion under management.

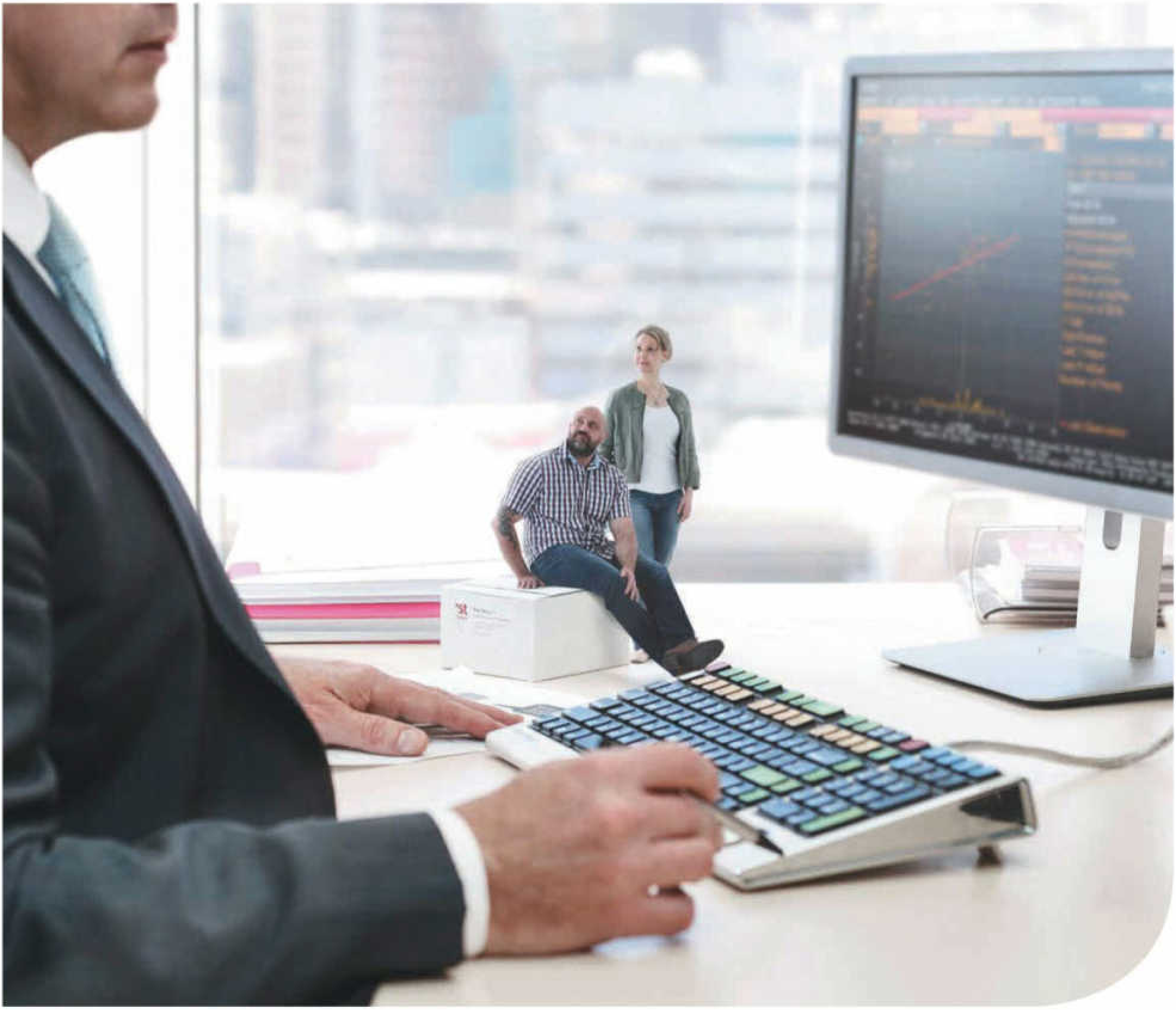
For the high-growth, pre-mixed diversified option, the fee is kept at a low 0.4%pa, plus a 0.08%pa performance fee, by holding index funds as a core investment and smaller holdings of active funds.

The fund has most of its assets in local and international equities, listed and unlisted property, private equity, infrastructure and hedge funds. It also employs "real return" strategies. It has just 10% in defensive assets including bonds, bank bills, credit securities and cash.

If your time horizon is long and don't mind volatility, growth investments bring higher returns. First State Super recommends a horizon of four to six years.

First State Super charges a low administration fee of $52 plus an asset-based admin fee of 0.15% ($75 per $50,000).

The returns over five years of the runners-up, **CareSuper** and **AustralianSuper**, are very close to those of First State Super – this is a competitive category.



BEST CAPITAL STABLE SUPER FUNDS

Money MAGAZINE AWARDS 2016

GOLD WINNER VICSUPER

Overseas and alternative investments put the gloss on performance

The **VicSuper FutureSaver Capital Stable** fund was boosted by strong returns from its overseas and alternative investments. As well, members benefit from the low fees charged by its core portfolio of index funds.

VicSuper is a $15 billion former Victorian public sector fund that was opened to everyone in 2000. It now has 240,000 members. VicSuper uses environmental, social and governance (ESG) factors in its investment process.

The capital stable option uses a majority of index or enhanced index managers as the core,

	FUND	OPTION	OPTION SIZE	RETURNS 1 YEAR	RETURNS 3 YEAR	RETURNS 5 YEAR	ANNUAL COST, $50,000
1	VicSuper FutureSaver	Capital Stable	$847m	8.4%	9.5%pa	8.0%pa	$413
2	Catholic Super	Mod Conserv	$92m	7.2%	9.1%pa	7.7%pa	$449
3	AustralianSuper	Stable	$1351m	7.1%	8.2%pa	7.6%pa	$293

Source: SuperRatings.

with satellites of active fund managers. The asset allocation set by the fund and consultant Frontier Investment Consulting assigns 40% to growth assets, with 14% in international shares, 9% in local shares and 5% in emerging markets. Real assets, including infrastructure, property and agriculture make up 15% of the fund; defensive asset allocation is 60%.

VicSuper's fees are 0.34% for investment management and $1.50 a week, plus 0.28% (capped at $125 a month) for administration.

In second place is **Catholic Super's Moderately Conservative** which has a fee of 0.55%.

LOWEST-COST BALANCED SUPER FUNDS

Money MAGAZINE AWARDS 2016

GOLD WINNER HOSTPLUS

Indexed investment options have managed to keep fees low and returns high

The **Hostplus Indexed Balanced** option wins for a fourth consecutive year. It not only has rock-bottom fees but its performance is strong for a balanced fund.

The option keeps costs down by using low-cost exchange traded funds (ETFs). In addition to a flat $1.50 weekly administration cost, totalling $78 a year, there is a low annual investment management charge of 0.03%. Unlike many super funds that now impose an additional asset-based administration fee, Hostplus has kept it as a single fixed amount.

Low fees mean higher returns for members and it is worth

	FUND	OPTION	OPTION SIZE	RETURNS 1 YEAR	RETURNS 3 YEAR	ANNUAL COST, $50,000
1	HOSTPLUS	Indexed Balanced	$38m	10.8%	14.6%pa	$93
2	AustralianSuper	Index Diversified	$77m	8.1%	10.8%pa	$178
3	NGS Super	Indexed Growth	$16m	10.1%	12.2%pa	$200

Source: SuperRatings.

The winners were chosen from SuperRatings' platinum-, gold- and silver-rated balanced funds and ranked on their annual costs associated with a $50,000 balance.

noting that the three-year return for the Indexed Balanced option is 14.6%pa, higher than the 12.4%pa for the actively managed Hostplus Balanced option, which has a higher investment management fee.

The Indexed Balanced option has around 75% in shares and 25% in cash and fixed interest.

More than 60% of Hostplus members work casually or part-time in hospitality and it has cut its insurance cover and premiums to help preserve savings. The level of death cover has dropped from $100,000 to $25,000 but the age range has been extended from 65 to 70 in recognition of a high number of second marriages.

BEST MYSUPER FUNDS

GOLD WINNER CARESUPER

Discounts and other benefits add to the appeal of low fees and flexibility

MySuper funds are simple, low-cost vehicles that were introduced by the government in January 2014. This year **CareSuper** wins for its default balanced fund.

"The overall benefit provided to CareSuper members, including the fund's flexibility of products, has been very strong this year," says Adam Gee, chief executive of SuperRatings.

CareSuper Balanced has a broad investment mix of alternative investments as well as local and global shares, property and fixed income. The investment management fee of 0.92% is below the MySuper funds industry average of 1.1%. The admin cost is $78pa plus an asset-based fee between 0.15% and 0.2% (capped at $500).

The fund offers financial planning advice either over the phone at no cost or face-to-face for a fee. It also has cost-effective banking products, such as home loans and credit cards, through ME Bank. There is automatic death and total and permanent disability (TPD) insurance but members have to elect to take out income protection insurance. The fund offers discounted insurance for homes and cars through QBE.

	FUND	OPTION	OPTION SIZE	RETURNS 1 YEAR	3 YEAR	5 YEAR	ANNUAL COST, $50,000
1	**CareSuper**	Balanced	$7464m	10.8%	13.2%pa	10.3%pa	$638
2	**REST Industry Super**	Core Strategy	$31,952m	9.5%	13.7%pa	10.2%pa	$457
3	**HESTA Super**	Core Pool	$26,204m	10.0%	12.7%pa	9.8%pa	$475

Source: SuperRatings.

The winners were chosen from SuperRatings' platinum-, gold- and silver-rated MySuper funds and rankings took into account five-year performance after all fees and taxes, insurance, member service and administration, for a $50,000 balance.

BEST GREEN SUPER FUNDS

GOLD WINNER LOCAL GOVERNMENT SUPER

Sustainable and ethical approach benefits members and the planet

This year's winner, **Local Government Super Fund (NSW)**, has taken many responsible and sustainable investment initiatives, cut fees and improved member services.

A regular winner of this category, Local Government Super was the first super fund to divest its coal investments because of the climate-change risks posed by the industry's heavy carbon emissions and the financial implications of this. Local Government Super follows the environmental, social and governance (ESG) guidelines set down by the Australian Council of Superannuation Investors and MSCI research, which analyses risk and performance, on local and international listed companies. LGSF does not hold Transfield, which is in the news for its role in running detention centres, as it does not meet the fund's ESG requirements.

Fund members can now see on the LGSF website how the fund will cast its proxy votes before annual general meetings.

Local Government Super has overhauled its administration and cut costs by 30% to a flat $1.50 a week with no asset-based fee. The average investment management fee is a low 0.5%.

It has also launched a member-direct investment option for do-it-yourself investors who want to choose their own shares, term deposits and exchange traded funds (ETFs).

	FUND	OPTION	OPTION SIZE	RETURNS 1 YEAR	3 YEAR	5 YEAR	ANNUAL COST, $50,000
1	**Local Gov Super (NSW)**	Balanced Growth	$764m	9.3%	12.0%pa	8.6%pa	$333
2	**HESTA Super**	Eco Pool	$363m	14.1%	16.2%pa	10.8%pa	$360
3	**Christian Super**	MyEthicalSuper	$605m	8.3%	12.1%pa	9.0%pa	$651

Source: SuperRatings.

The winners were chosen on the basis of the environmental and social responsibility of their investments.

We're already investing for Lily's retirement

At Local Government Super, we invest for the long term and that means investing in our community and our environment, and for our members, both now and in the future.

Our sustainable and responsible investment strategy is the key to helping our members build their super investment and improve their financial wellbeing in retirement.

And it's also the reason why we've just taken out the *Money* magazine Best of the Best Award for the Best Green Super Fund for a record fourth time.

Just go to lgsuper.com.au to find out more.

LOCAL GOVERNMENT SUPER

@socialLGS

Local Government Super

BEST-VALUE INSURANCE IN SUPER

GOLD WINNER INTRUST SUPER

Generous payouts plus reduced waits are valuable features of income protection

FUND	OPTION	FUND SIZE	RETURNS			ANNUAL COST, $50,000	AVGE COST OF $100,000 COVER[1]			
			1 YEAR	3 YEAR	5 YEAR		DEATH & TPD		INCOME PROTN[2]	
							AGE 35	AGE 45	AGE 35	AGE 45
1 Intrust Super	Balanced	$1846m	11.1%	13.4%pa	9.7%pa	$518	$69	$92	$641	$641
2 legalsuper	Balanced	$2632m	9.7%	13.2%pa	9.4%pa	$558	$71	$71	$285	$524
3 Equip	Balanced	$7025m	10.5%	13.3%pa	10.1%pa	$543	$36	$102	$437	$755

Source: SuperRatings. [1]Annual cost of $100,000 worth of cover for a fund balance of $50,000. [2]30-day wait

The winners were ranked on the value for money of the insurance they offered, both qualitatively and quantitatively. This includes insurance rates, terms and conditions and automatic acceptance levels.

Standout income protection, life and total permanent disability (TPD) insurance have won **Intrust Super** the gold award for a fourth straight year.

Intrust's PayGuard income protection insurance has generous features that are hard to go past, even with a 7% rise in premiums in the past year. For a start, it pays out 90% of income for up to two years for illness or an accident as well as an additional 10% into the member's super fund.

PayGuard covers casuals in addition to full-time and part-time employees. The default waiting period is 21 days, and the benefit payment date is reduced by seven days for every two years the insurance is held – as a loyalty bonus for holding cover continuously. For example, if you have held the policy for two years the waiting period will be 14 days and if for six years, there will be no wait.

All Intrust products, including TPD and life insurance, offer automatic acceptance. InTrust's income protection does not require underwriting at any stage – either on commencing or recommencing cover, or on increasing it.

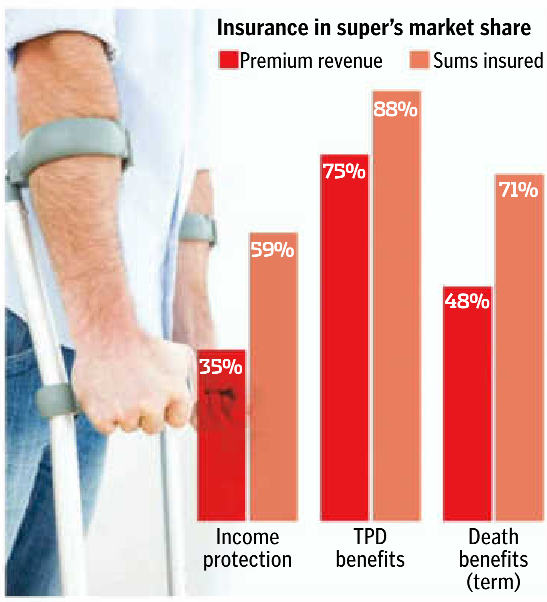
Intrust passes on the tax credit it receives for the premium to the member, in effect reducing the cost by 15%.

Intrust is a Queensland-based super fund that was originally set up to cover hospitality workers and is now a public offer fund that accepts anyone. It has 126,000 members and assets of $1.9 billion.

The second placegetter, **Legalsuper**, allows members to apply for cover up to 85% of pre-disability salary (up to $30,000 a month).

The third placegetter, **Equip Super**, has made changes to its insurance, allowing members to transfer death and TPD cover from their previous super fund to Equip without underwriting. The maximum cover is $600,000.

HOW MEMBERS ARE COVERED



SOURCE: RICE WARNER, AUG 2014, INSURANCE ADMINISTRATION REPORT FOR ASFA

FACT FILE

Buying in super is cheaper but extras may be a drag on returns

Insurance in super is usually a simple product. And paying for insurance within super is typically cheaper than buying it privately, says financial consultant Rice Warner.

This is because of its tax efficiency, as you use money that is taxed at 15% rather than at your marginal rate, which is likely to be higher. It is also bought without paying commission to an adviser.

Moreover, big super funds use their economies of scale to buy it at cheaper, wholesale prices.

Remember that insurance comes out of your retirement savings and you need to take this cost into account if you are doing long-term calculations of how much money you will have. You may even need to top up your super, particularly if you are buying additional life, TPD and income protection cover.

LOWEST-COST PENSION FUNDS

GOLD WINNER ANZ

A lifestage option automatically changes the asset allocation with your age, or you can choose your own investment mix

FUND	OPTION[1]	OPTION SIZE	RETURNS			ANNUAL COST	
			1 YEAR	3 YEAR	5 YEAR	$50,000	$250,000
1 ANZ Smart Choice	Growth	$3m	9.89%	13.3%pa	–	$300	$1300
2 Local Gov Super	Bal Growth	$191m	9.94%	13.1%pa	9.6%pa	$333	$1393
3 Club Plus	Balanced	$29m	9.46%	13.0%pa	9.2%pa	$374	$1494

Source: SuperRatings. [1]Selected balanced-style option; pension funds have no default option.

The winners were chosen from SuperRatings' platinum-, gold- and silver-rated balanced or default pension funds and ranked on their annual costs for a $250,000 balance.

The **ANZ Smart Choice pension**, with either a lifestage investment or your own personalised mix, wins for the second consecutive year. The fees are low: a flat $50 a year for administration, around 0.5%pa on investments, and no fees on cash. The total cost of $1300 for managing assets of $250,000 compares with the average $3123 charged by super funds and the average $2354 charged by industry funds.

When you reach your preservation age, which depends on your date of birth, you can start a transition to retirement (TTR) pension and, if over 60, an account-based pension.

Investments in the lifestage option are rebalanced as you age. If you were born in the 1940s, 80% will be in defensive investments and only 20% in growth investments. If you were born in the 1950s you would have 62% defensive and 38% growth. Or you can mix your own investments using three diversified options (conservative, moderate and growth) and five direct asset classes. You automatically qualify for life insurance, including terminal illness, but you can opt out.

The second-placegetter, **Local Government Super,** has upped its value to members with a number of measures, including a 30% cut in administration fees.

BEST-FEATURED PENSION FUNDS

GOLD WINNER ONEPATH

A wide range of options allows you to tailor your investments to suit your goals

FUND	OPTION	OPTION SIZE	RETURNS			ANNUAL COST	
			1 YEAR	3 YEAR	5 YEAR	$50,000	$250,000
1 OnePath OA Frontier Pens.	Vanguard Growth Index	$80m	11.9%	14.9%pa	–	$520	$2025
2 AMP Flex Super Choice Pkg	Super Easy Balanced	$991m	11.4%	14.1%pa	10.1%pa	$475	$1795
3 Sunsuper for Life Income	Balanced	$632m	11.1%	14.2%pa	10.5%pa	$508	$1708

Source: SuperRatings.

The winners were ranked on a combination of flexibility – such as an ATM card link to the account for easy access – and service features; costs were required to be competitive with peers.

There are plenty of investment bells and whistles on **OnePath's OneAnswer Frontier Pension**, which has taken top spot this year, thanks to its Vanguard Growth Index option.

Frontier is perfect for retirees or pre-retirees who set up an allocated pension or transition to retirement (TTR) pension and have the temperament and time and to manage their investments. They can be selected from a smorgasbord of options, including 80 managed funds, OptiMix multi-manager funds and OnePath diversified multi-manager funds. There are 16 global investment managers to choose from and even an infrastructure fund.

The pension can be paid either monthly, quarterly, half-yearly or yearly into a cash management account. Frontier has estate planning features, online performance reports and some member discounts. The Vanguard Growth Index option charges a fee of 0.8%.

Second placegetter **AMP Flexible Super Choice Package** has investment options ranging from passive to single-manager and risk-adjusted managed investments.

BEST INNOVATIVE INVESTING PRODUCTS

Money Magazine Awards 2016 — Best of the Best 2016

GOLD WINNERS MERCER AND NABTRADE

A pooled fund to top up your income in your old age; and trade internationally as easily as on ASX

A big unknown for retirees is how long will they live. Nearly half of all Australians aged 50 to 80 are worried about longevity risk – one in four will live beyond the average life expectancy and outlive their superannuation savings by 10 years, according to Mercer.

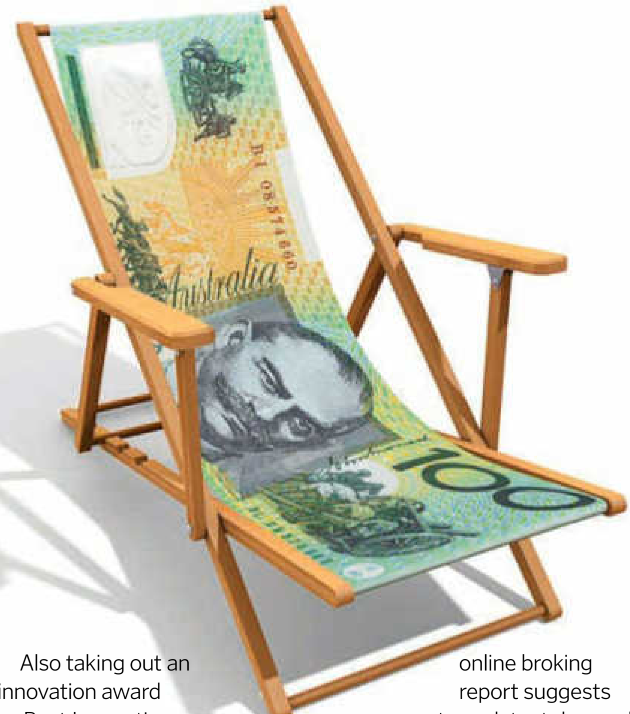
Mercer has come up with a pooled mortality investment fund, LifetimePlus, that is designed to protect people against the risk of outliving their savings and falling back on the age pension.

Mercer LifetimePlus, which *Money* has named Best Innovative Retirement Product, has an investment option added to an account-based pension within a superannuation account. For example, retirees contribute about 25% of their retirement benefit to Mercer LifetimePlus: for example, if you invest $100,000 from a $400,000 super balance you could expect up to $10,000 a year above the age pension when your super runs out. The fee is 0.4%.

LifetimePlus leverages scale by pooling money in a conservatively invested fund. When members leave the pool, others share in the surplus left by them.

The pension pays an income for life with none of the expensive insurance premiums common in some products that address longevity risk.

The big benefit is that it requires about half the amount of capital as an annuity to secure a similar annual income. It delivers quarterly investment returns, capital returns after 15 years and a living bonus from the day you invest.



GETTY IMAGES

Also taking out an innovation award as Best Innovative Trading Feature is **Nabtrade's** international trading. It allows you to trade Apple in the US as simply as trading, for example, BHP Billiton in Australia. It may sound simple but it is a first and, more importantly, it provides investors with direct international market access with a real-time price feed, which is what they expect in an established platform but until now it has not been available.

"Previously customers needed to use services such as OptionsXpress and Interactive Brokers, which is shown in their dominance of the international trading market share in Australia," says Canstar analyst Josh Callaghan. "This was because the big banks didn't offer a real-time solution for trading international equities."

Investment Trends' latest online broking report suggests strong latent demand for overseas equities means Nabtrade's new feature could disrupt the status quo. "Nabtrade's integrated international share trading platform was the single most lauded innovation by their clients and received higher satisfaction ratings than the international share offerings from the other big four banks."

Nabtrade gained 2% points of primary market share, edging ahead of Westpac as the third most-used broker among online investors. The service integrates directly with their central trading account, which means you can settle a sell on an Australian trade and use that money immediately for an international market buy. It essentially works the same as Australian trades, including having a linked margin loan facility.

FACT FILE

International trades fail to match the good intentions

Investors seem keen to buy international shares – but not many do anything about it. The monthly Investment Trends' investor intention index has found that the net intentions of online traders for international exposure has been high since 2013 and even edged ahead of those for domestic equities a few times in 2015. In contrast, Australian active traders' ownership of direct international equities is the lowest among the seven key economies surveyed by Investment Trends, with 14% of traders holding them, compared with Germany's 60%.

TOP PROPERTY PICKS

As the market cools, location will be more important than ever, writes Peter Koulizos

IT PROMISES TO BE AN interesting year in property. It could be a bumper – but then again there are also reasons why this may not happen. Prices could skyrocket because interest rates are at historical lows and are forecast to drop even further. With the cost of money so cheap, people should be borrowing to buy property. But they are not and there are two main reasons prospective purchasers are keeping their hands in their pockets.

First, consumer confidence is relatively low. If people are not confident and happy, they are less likely to spend (and borrow) money. Why is confidence low? Underemployment and unemployment. Many people work part time and would dearly love a full-time job. To pay off a mortgage, at least one person in the household needs a full-time job. And if people are worried that unemployment will rise and their job is at risk, they are not likely to borrow big-ticket money.

The employment issue is particularly relevant to owner-occupiers but investors are also less likely to buy in 2016 due to the change in Australian Prudential Regulation Authority rules. Property investors must now have a larger deposit and in many cases their interest rate is higher than for an owner-occupier loan.

In my opinion, the residential property market will slow, due to lower demand from both owner-occupiers and investors. With this in mind, it is critical that you buy in the right location. If you want long-term capital growth, see my top picks (left). My top regional areas are country towns with a number of capital growth drivers, in particular domestic tourism, international education and agriculture. These sectors are forecast to do very well because of the low Australian dollar.

HOT SUBURBS FOR 2016

- Adelaide: Torrensville, Thebarton, Croydon, Christies Beach, Port Noarlunga
- Brisbane: Kelvin Grove, Herston, Woolloongabba, Wynnum, Redcliffe
- Canberra: Braddon
- Darwin: Rapid Creek
- Hobart: South Hobart
- Melbourne: Flemington, Brunswick, Coburg, Footscray, Seaford
- Perth: Victoria Park, East Victoria Park, Carlisle
- Sydney: Tempe, St Peters, Marrickville

Peter Koulizos is the author of *Top Australian Suburbs* and *Property vs Shares*. See thepropertyprofessor.com.au

PAYMENTS

What new trends or changes can we expect in digital banking in the near future?

A key area of development in digital banking in 2016 will be mobile payments.

It is set to be a big year in the evolution of a technology that has been around for a while but has not yet achieved anything close to critical mass.

Commonwealth Bank and Westpac have already dipped their toes in the water and now Apple Pay has announced a partnership with American Express that will allow American Express cardholders to pay with Apple Pay at some point during 2016.

Yet for Apple Pay to succeed in Australia, it needs to get the banks on board and demonstrate unique value to consumers.

Australian consumers are comfortable paying with contactless cards and merchants are used to accepting them. But getting the banks on board will be challenging, given the Apple Pay financials look as they do currently.

In 2016 we are also likely to see a continued improvement in mobile banking apps as more features and functions are added.

We will increasingly move towards a scenario where the functionality of mobile apps more closely mirrors that of online banking and gives consumers greater choice when managing their money.

Alex Boorman
Australia and New Zealand research director, RFi Group

CREDIT SCORES

Will comprehensive credit reporting become a reality and what will it mean?

It is very likely we will see more institutions opting into comprehensive credit reporting (CCR) over 2016. There are questions around just how many will do so and whether any of the big banks will make a move. NAB and ME Bank are a couple of the larger institutions that have stated they will participate; however, we need broader participation and the bigger players to join before it can be effective.

Australians should be aware that more data sharing means credit providers have a more complete picture of consumers' credit commitments and repayment history – both good and bad.

Under CCR, credit providers can see how many credit accounts you have open and credit limits. This information could change your risk profile in the eye of the provider. On the other hand, consumers may have credit enquiries on their file for accounts that have long been closed, which may be affecting their current credit score negatively. CCR can provide a more accurate picture.

Other benefits of CCR is that it can reward consumers with good credit performance, providing greater access to credit and at lower prices. It can also encourage consumers to shop around for credit without negatively affecting their credit score, as it can now.

Dirk Hofman
Managing director, Credit Savvy

BORROWING

Is the interest rate gap between home loans and investor loans here to stay?

Differential mortgage rates for investors and owner-occupiers may be less than six-months-old but there's no sign of its retreat. Initially, the enthusiasm with which we saw some lenders adopt higher rates for investors could have been interpreted as an opportunistic grab for cash. But as the months have rolled on, we've seen almost half of all lenders take up this two-tiered pricing system, many of them dropping their rates for owner-occupiers at the same time.

No one likes a rate hike, least of all savvy investors, but if they crunch the numbers objectively they may decide they're willing to pay a little more because they can still write it off on tax, assuming their property is negatively geared. For example, on a 30-year loan of $300,000, the difference in interest payments between a rate of 4% and 4.5% is $1056 a year. When you're looking at paying a grand total of around $18,000 a year in interest, and you can take the entire lot off the top of your tax bill, it's hard to see investors putting down their bidding batons in droves.

So the big question is not whether differential pricing will stay but how wide the gap will become. Right now it's as high as 0.85% but there is a real possibly it will grow further. We may also see more lenders put a freeze on investor borrowing altogether.

Sally Tindall
Money editor, RateCity

DOWNLOAD NOW

POCKETBOOK

Cost: free
OS: iOS and Android

Budgeting apps are a must if you're serious about saving. Pocketbook is one of the best on the market – it syncs with your various transaction and savings accounts and documents immediately when money is coming in and, more importantly, when it is going out. You're able to group and store your bills and you can also categorise your purchases.

AUSTRALIAN TAX OFFICE

Cost: free
OS: iOS and Android

The tax office's app has a handy new feature that can help you keep track of your taxable deductions. MyDeductions allows you to record them on the go, as you go. Mobile phone calls have until recently been one of the hardest deductions to prove but now you can document the exact time and length of each call you make for work.

HASHCHING.COM.AU

HashChing lines you up with a mortgage broker for free and they do the legwork in negotiating the cheapest home loan for you. The start-up has been around for less than a year but, in August, it reported it had already brokered $48 million worth of mortgages. If you're looking for a discounted mortgage, go surfing on HashChing to find a suitable deal.

GETTY IMAGES

BEST EVERYDAY ACCOUNTS

GOLD WINNERS BANK ING DIRECT NON-BANK QUAY CREDIT UNION

With fees disappearing, cashback and rebates are the latest attractions

Last year's bank and non-bank winners have triumphed again, with ING Direct and Quay Credit Union taking out the big awards this year.

What makes a good everyday account? Julie Nguyen, a Canstar research analyst, says fees and access are the most important things to consider when you're looking for an everyday account. "With fees in 2015, a large portion of people can get away with paying no fees, and that includes ongoing and transaction fees," she says. "When it comes to access, online and mobile banking are becoming our go-to for our everyday banking, so a strong and flexible banking platform is important."

ING Direct's Orange Everyday account is packed with extras, such as 100% ATM rebates and 2% cashback on all Visa payWave purchases less than $100. If, for example, you spent $100 (say, $50 and $50) on petrol purchases every week for a year, using payWave will entitle you to $104 in cashback at the end of the 12 months.

ING customers also qualify for a 50¢ rebate on $200 cashout withdrawals and can access ING's highest variable rate of 3.5% on a linked savings account. Requiring a minimum monthly deposit of $1000 and attracting no monthly fees, the Orange Everyday account can help you save money in more ways than one.

While there's nothing too complicated about **Quay Credit Union's RediAccess** account it offers you flexibility and no transaction fees. Nominal interest kicks in once your balance is over $2000 but transaction accounts aren't really known for their interest. With free use of all Redi ATMs and no monthly fee, the RediAccess account is a no-brainer if you're looking for an everyday account with minimal costs.

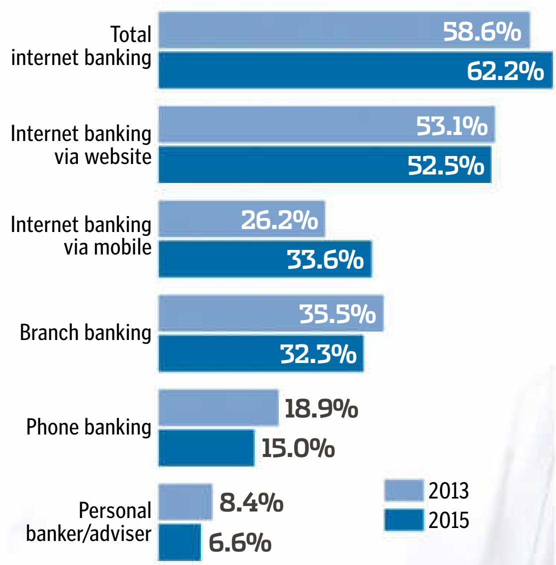
		INSTITUTION	PRODUCT	AVGE COST PM	ATM NETWORK	ADV'D RATE[1]
BANK	1	ING Direct	Orange Everyday	$0.00	all ATMs	0.00%
	2	NAB	Classic Banking	$0.00	NAB, rediATM	0.01%
	3	BOQ	Day2Day Plus	$0.00	rediATM	0.00%
NON-BANK	1	Quay Credit Union	RediAccess	$0.00	rediATM	0.00%
	2	Gateway CU	Edge or Everyday Savings	$0.00	Westpac	0.05%
	3	Transport Mutual CU	Multi-Access Account S4	$0.33	rediATM	0.025%

Source: CANSTAR. Check websites for ATM fees as accounts terms vary. [1]Rate for $1000 balance.

The winners were ranked by an average dollar cost based on 30 transactions a month and a zero balance, then by ATM network, then branch network; must have access via ATM, EFTPOS, direct debit and phone.

MOBILE BANKING ON WINNING STREAK

How banking is done



SOURCE: ROY MORGAN RESEARCH, OCTOBER, 2015

FACT FILE

Branches adapt as mobiles advance

With the rise of online banking, there are fewer reasons to visit the local branch. Roy Morgan data shows that about 1.1 million Australians use only their mobile phone or tablet for banking – triple the number of mobile-only banking customers in 2012. About a third (33.6%) use an app or website. Apps now offer a plethora of extra services, with some offering digital loyalty discounts with selected retailers and others personalised property data. Most branches now operate as more of a consulting service for customers wanting personalised advice or help with a complex issue.

BEST SAVINGS ACCOUNTS

GOLD WINNERS BANK **RURAL BANK ONE** NON-BANK **NEWCASTLE PERMANENT**

Consistency with offering a good savings rate sorts the wheat from the chaff

Competitive rates determined our best savings account winners for 2016. At a current 2.6% a year with a history of good rates, the **Rural Bank ONE Personal Saver** took out first place. With no transaction or account-keeping fees, a deposit of $5000 could make a nifty $280 in two years.

In terms of access, **Rural Bank ONE** allows you to transfer your funds to any other bank account and it has an innovative way of doing this.

The account's PayAnyone service requires you to use a security token when processing a payment, which ensures your money is delivered securely. A five-year token costs $25.

Newcastle Permanent's Online Savings account has won our non-bank award for the fourth year in a row. It has a few access conditions, including having a pre-existing Newcastle Permanent everyday account and there's no ATM access. But with such competitive rates you'll definitely get a bang for your buck.

		INSTITUTION	PRODUCT	2YR RTN	BASE RATE	ANN'L FEE	ADV'D RATE[1]
BANK	1	**Rural Bank ONE**	Personal Saver	$280	2.60%	none	2.60%
	2	**AMP Bank**	Saver	$274	2.60%	none	2.85%[2]
	3	**RaboDirect**	High Interest Savings	$268	2.55%	none	3.50%[2]
NON-BANK	1	**Newcastle Permanent**	Online Savings	$272	2.50%	none	2.50%
	2	**Gateway CU**	Edge or eMax Saver	$263	2.50%	none	2.50%
	3	**Your Credit Union**	Netsaver S50	$260	2.45%	none	2.45%

Source: CANSTAR. [1]Advertised rate for $5000 deposiit. [2]Four-month promo period.

The winners were ranked on the average of the 2-year return based on the current base rate for a $5000 balance and the 2-year return based on the 6-month historical standard base interest rate. Promotional rates were ignored.

BEST SAVINGS ACCOUNTS – REGULAR DEPOSITS

GOLD WINNERS BANK **ING DIRECT** NON-BANK **CUA**

A generous interest rate should encourage savers to leave their money where it will grow

Our winners have some of the best rates on the market. **ING Direct** takes out its second award this year with its Savings Maximiser, which has a full promotional rate of 3.5%. (It also won Best Everyday Account.)

To be paid the full rate, account holders must have a linked ING Orange Everyday Account and deposit at least $1000 a month into it. If you don't meet this condition the rate is 2.25%pa.

At such a generous rate, ING's Savings Maximiser gives you a good incentive to keep your money in savings and discourages impulse buys.

CUA's eSaver Plus takes out our award for non-banks. It also uses strict access conditions to persuade you to leave your money alone. Don't meet the condition and you'll miss out on 0.90%pa bonus interest. If you have a CUA home loan, you can use your account as a mortgage offset account.

		INSTITUTION	PRODUCT	2YR RTN[1]	ADV'D RATE[2]	DEBIT CD	PHONE TRSF	BONUS CONDITIONS
BANK	1	**ING Direct**	Savings Maximiser	$542	3.50%	✗	✓	$1000 dept pm into linked acc
	2	**RAMS**	Saver	$532	3.60%	✗	✗	$200+ dept pm, no wdls
	3	**UBank**	USaver with Ultra	$522	3.37%	✓	✓	Extl $200 deposit pm
NON-BANK	1	**CUA**	eSaver Plus	$458	2.90%	✗	✓	$200+ deposit pm, no wdls
	2	**FCCS Credit Union**	iSaver	$424	2.76%	✗	✗	$200+ deposit pm
	3	**Easy Street Fin Serv**	Bonus Saver	$416	2.95%	✗	✗	$50+ deposit pm, no wdls

Source: CANSTAR. [1]Ranking return. [2]Rate including bonus, if applicable. No product has an account-keeping fee; none available for EFTPOS.

Starting with a $5000 balance and depositing $200pm, the winners were ranked by the average of their 2-year returns based on the current rates and those based on the 6-month average historical interest rates. One withdrawal a year and one month a year without a deposit were assumed (based on current rate); conditional, promotional and other bonus rates are included.

BEST KIDS' SAVINGS ACCOUNTS

GOLD WINNERS BANK **SUNCORP BANK** NON-BANK **FIRST OPTION CREDIT UNION**

Good habits developed from an early age can have lifetime financial benefits

Developing smart saving habits is important for children in an increasingly cashless society, where it's so easy to spend on a card. And before your kids start part-time or casual work, it's important for them to understand the importance of goal setting and budgeting.

Last year's top-ranked accounts have again proved the best of the best. **Suncorp's Kids Savings Account** total rate of 3.5%, encourages saving with a low monthly deposit and its restriction on withdrawals.

Our non-bank winner is the **First Option Credit Union Kids Bonus Account**, which has claimed this award for the third time in a row. With a stellar total rate of 5.15% a year, most of us in the *Money* team are wishing we were under 18 so we could take advantage of it. Only balances less than $5000 attract the total rate, with larger amounts dropping to 2.05%.

		INSTITUTION	PRODUCT	2YR BAL	BASE RATE	TOTAL RATE	BONUS CONDITIONS		ATM	EFTPOS
							WDLS PM	DEP'TS PM		
BANK	1	Suncorp Bank	Kids Savings Acc	$748	1.50%	3.50%	one	min $20	✗	✗
	2	Hume Bank	Clancy Koala S2	$748	0.50%	3.50%	none	min $10	✗	✗
	3	Teachers MB	Mighty Saver	$745	1.50%	3.31%	none	min $10	✗	✗
NON-BANK	1	First Option CU	Kids' Bonus Saver	$760	0.15%	5.15%	none	min $5	✗	✗
	2	CUA	Youth eSaver	$759	5.00%	5.00%	NAp	NAp	✗	✗
	3	bcu	Scoot's super saver	$750	1.00%	3.75%	$5 max	min $20	✓	✓

Source: CANSTAR.

The winners were ranked by their 2-year balances using 6-month historical average interest rates, including bonus rate if applicable, on monthly $30 deposits for the period; then by total rates, then by base rates.

BEST DIY SUPER SAVINGS ACCOUNTS

GOLD WINNERS BANK **AUSTRALIAN MILITARY BANK** NON-BANK **HUNTER UNITED**

SMSF investors need to strike a balance between flexibility and decent earnings

Managing an SMSF is a demanding job with big financial and regulatory responsibilities. It's important to have ready access to the fund's cash resources for investment and administration costs and, if possible, flexibility of withdrawals, without the penalty of a lower or zero interest rate.

Australian Military Bank's DIY Super Saver, this year's winner among the banks, gives SMSF investors the features of an everyday account with the profitability of a high-interest savings account.

Hunter United's Premium Online Investor Account takes out our non-bank award. If you hold a lot of assets in cash, this account, which has strict savings conditions but a better rate than many term deposits, is for you. Hunter United's full rate is 2.9% but only if you don't withdraw for the whole month. Once you make a withdrawal, the interest rate for the month drops to zero.

		INSTITUTION	PRODUCT	TOTAL RATE[1]	REVERT RATE	MONTHLY BONUS CONDITIONS
BANK	1	Aust Military Bank[2]	DIY Super Saver	2.91%	2.91%	NAp
	2	BankVic	SMSF Saver	2.85%	2.85%	NAp
	3	UBank	USaver SMSF	2.81%	2.41%	no withdrawals
NON-BANK	1	Hunter United	Premium Online Investor	2.90%	0.00%	no withdrawals
	2	FCCS CU	Superfund Maximiser	2.90%	2.90%	NAp
	3	Coastline CU	e-Saver S35	2.86%	1.30%	$500 dept pm, no wdl

Source: CANSTAR. [1]Rate including bonus rate, where applicable. [2]Formerly ADCU

The winners were ranked by their interest rates – 50% 6-month historical average interest rates and 50% current rates – for a balance of $50,000; accounts must be available for a trust. Conditional bonus – but not promotional – rates were taken into consideration and it is assumed the conditions are met. Notice accounts were included.

BEST TERM DEPOSITS – SHORT-TERM

GOLD WINNERS BANK **HERITAGE BANK** NON-BANK **FIRSTMAC**

At a time of low returns from interest-bearing investments, every little bit helps

The days of the GFC, when banks were eager to attract the savings of Australian depositors because offshore funding was difficult to access, have long gone – and with them the high term deposit rates we enjoyed. Nevertheless, the products still have their place for investors – somewhere to park cash for a while, preserving your capital and keeping at least a nose ahead of inflation.

Heritage Bank takes out our award for best short-term deposit with an advertised rate of 2.75% for $25,000 for three months. There are no fees, only penalties if you change the timing of your interest payouts. And there's no need to worry about your rate plummeting – it is guaranteed for the term.

In three months your $25,000 would earn $172.

Firstmac, our non-bank winner, offers an extra 0.05% on top of the Heritage rate. When your deposit has reached maturity, Firstmac lets you add to it, and you can hold on to that same rate for another term if you choose. Of course, when rates start rising, you'll prefer not to.

		INSTITUTION	RANKING RATE[1]	ADVERT RATE	INT PAID
BANK	1	Heritage Bank	2.862%	2.75%	on maturity
	2	QT Mutual Bank	2.858%	2.80%	on maturity
	3	Teachers Mutual Bank	2.851%	2.80%	on maturity
	3	UniBank	2.851%	2.80%	on maturity
NON-BANK	1	Firstmac	2.89%	2.80%	on maturity
	2	The Rock Building Society	2.84%	2.70%	on maturity
	3	The Mutual	2.82%	2.70%	on maturity

Source: CANSTAR. [1]Six-month average.

The winners were ranked by the average of the current rate and the historical 6-month nominal interest rate for a $25,000 balance and terms of 2 to 4 months.

BEST TERM DEPOSITS – LONG TERM

GOLD WINNERS BANK **TEACHERS MUTUAL BANK & UNIBANK** NON-BANK **FIRSTMAC**

With no fees to worry about, you could treat yourself to a modest holiday

A longer-term deposit means taking the risk that rates will not rise for about a year. In the current economic climate, this risk is probably not high, as many in the industry expect rates to fall in the short term.

With no account-keeping or establishment fees, **Teachers Mutual Bank's** term deposit will help your nest egg grow a little ahead of inflation. On a deposit of $25,000 for 12 months, you would make $725. The catch is that if you need your money early there are penalties.

UniBank has merged with Teacher's Mutual and is equal first in this category, offering the same rates and features on its term deposits as its partner.

		INSTITUTION	RANKING RATE[1]	ADVERT RATE	INTEREST PAID
BANK	1	Teachers Mutual Bank	3.00%	2.90%	annually
	1	UniBank	3.00%	2.90%	annually
	2	ME Bank	3.00%	2.90%	on maturity
	3	Arab Bank Australia	2.99%	2.95%	on maturity
NON-BANK	1	Firstmac	2.97%	2.95%	on maturity
	2	The Rock Building Society	2.95%	2.85%	annually
	3	CUA	2.95%	2.85%	annually

Source: CANSTAR. [1]Six-month average.

The winners were ranked by the average of the current rate and the historical 6-month nominal interest rate for a $25,000 balance and terms from 11 to 13 months.

Firstmac, our non-bank winner, also offers the same rate of 2.9% for a yearly investment but charges you less for early redemption. Teachers Mutual and Unibank both deduct 2% from your yearly rate if you withdraw funds early. Firstmac's penalty is 1.5%, so if you suspect you might be strapped for cash before the term ends, perhaps you should go for Firstmac.

CHEAPEST HOME LOAN PACKAGES

GOLD WINNERS BANK **HERITAGE BANK** NON-BANK **NEWCASTLE PERMANENT**

Discounts and other benefits can mean big savings for borrowers

By packaging all your banking needs with the one financial institution you can save some serious coin. A package home loan combines your mortgage with a credit card, transaction account and maybe even home and contents insurance. You'll lock in an instant discount of about 0.9% on your home loan. A package fee of around $400 a year generally applies.

Our research partner, Canstar, says that on a $500,000 mortgage you can save about $3718 in the first year and $3370pa after that. The smaller the mortgage, the smaller the savings. On a $150,000 loan expect to save around $986 in the first year and $638pa after that. In this case you could be better off with a rock-bottom-rate home loan that doesn't charge a hefty annual fee. Do the sums before you jump in.

This year **Heritage Bank's Home Advantage** package has come out of the blue to take top honours. It includes a no-annual-fee credit card, discounts on insurance policies, unrestricted redraws, a fee-free transaction account and discounts on other loans. All up it costs $350pa but the discount of 1.16% off the standard variable rate ensures that you easily offset this cost with interest savings.

Newcastle Permanent Building Society, our non-bank winner, also packs plenty of extras into its Premium Plus package, including fee-free credit cards, a 5% discount on comprehensive car insurance, a 10% discount on home and contents insurance and bonus interest rates on saving accounts. At the time of writing, it had a special packaged rate of 3.99% for new borrowers applying for an owner-occupied home loan worth at least $150,000. The offer is also available for existing borrowers of owner-occupied loans who up their loan by $150,000 or more.

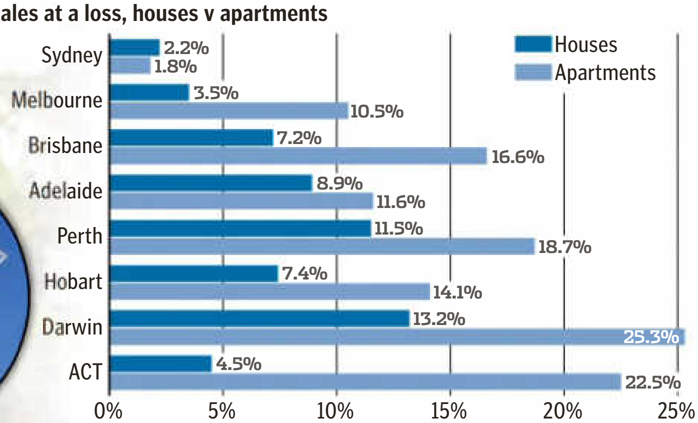
		INSTITUTION	PRODUCT	RANKING COST	PKG RATE	ANN'L FEE	MIN BORR'G
BANK	1	Heritage Bank	Home Advantage	$217,154	4.03%	$350	$150,000
	2	Suncorp Bank	Home Pkg Plus	$230,700	4.14%	none	$150,000
	3	Bank of Sydney	Expect More	$233,726	4.28%	$395	$100,000
NON-BANK	1	Newcastle Permanent	Premium Plus	$226,422	3.99%	$375	$250,000
	2	Greater Building Socy	Disc Ultimate HL	$231,769	4.24%	$375	none
	3	People's Choice CU	HL Pkg Std Var	$233,534	4.29%	$395	$150,000

Source: CANSTAR. Rates may vary for different-value loans.

The winners were ranked by the total cost of the loan – the interest cost plus fees – using 50% advertised rate and 50% average 6-month historical rate for a $350,000 loan over 25 years, 80% LVR. All packages had to offer a discount on the mortgage rate, a credit card with no annual fees and a deposit account with no account-keeping fees.

BEWARE THE EFFECTS OF OVERSUPPLY

Proportion of total resales at a loss, houses v apartments



SOURCE: CORELOGIC RP DATA JUNE 2015 QUARTER

CHEAPEST FLEXIBLE HOME LOANS

Money MAGAZINE AWARDS 2016 BEST OF THE BEST

GOLD WINNERS BANK ING DIRECT NON-BANK PACIFIC MORTGAGE GROUP

Competitive rate can come with a reward for loyalty

Offset, redraw, portability and the ability to split between a fixed and a variable rate are really all you need in a home loan. The winning loans here have all those features, plus more, without a premium price tag. And it's for this reason that they stand out from their peers. There are plenty of flexible home loans on the market but, with so many unofficial rate hikes, some lenders have simply been more competitive than others. For this reason this year's group of placegetters bears very little resemblance to last year's.

ING Direct's Orange Advantage takes top spot among the banks, moving up one step from its position last year. Its special offer of 3.99% is only available for new owner-occupier loans with a minimum 20% deposit and principal-and-interest repayments. At the time of going to print the offer had no end date. The annual fee is also waived. Existing Orange Advantage home owners pay 4.29%. It's worth noting, though, that the methodology for this award incorporates historical rates, which means ING Direct has been consistently competitive.

One thing ING Direct does well is reward its customers for loyalty. You could get 1% cashback on monthly home loan repayments of up to $3000 but you would need to be comfortable opening an Orange Everyday bank account and depositing your pay of at least $1000 a month to receive this.

In the non-bank category, online lender **Pacific Mortgage Group** takes out gold with its variable home loan. At just 3.99%, with no ongoing or upfront fees, it's clearly a leader. Established in 2000, Pacific Mortgage is well known for delivering some of the lowest rates on the market. Its variable rate home loan has been awarded five stars by Canstar, for "outstanding value". As for all winners, electronic redraw is free. (Manual redraw may have fees – at Pacific it's $25.)

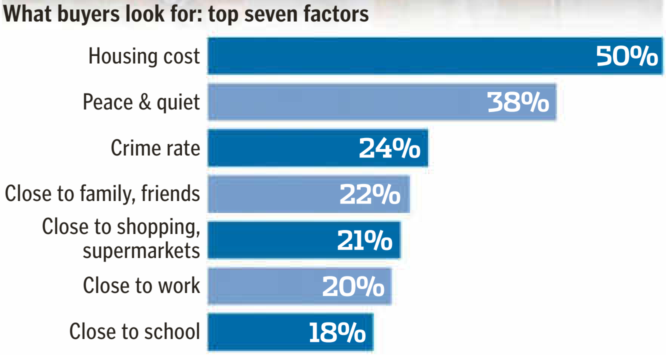
		INSTITUTION	PRODUCT	RANKING COST	ADV RATE	FEES UPFR	FEES ANNL
BANK	1	ING Direct	Orange Advge	$221,049	3.99%	$220	$199
	2	Suncorp Bank	Home Pkg Plus[1]	$230,700	4.14%	none	none
	3	Teachers MB	Solutions Plus	$247,392	4.57%	$750	$200
	3	UniBank	Solutions Plus	$247,392	4.57%	$750	$200
NON-BANK	1	Pacific Mortg Gp	Variable	$209,598	3.95%	none	none
	2	Gateway CU	Premium Special	$221,727	4.09%	none	$299
	3	Select CU	Super Mortgage	$245,017	4.64%	none	none

Source: CANSTAR. [1]Suncorp is waiving the package fee of $375pa for loans taken out by December 31, 2015

The winners were ranked by the total cost of the loan – the interest cost plus fees – using 50% advertised rate and 50% average 6-month historical rate, for a $350,000 mortgage for 25 years, 80% LVR. Loans had to offer free redraw, free offset, free portability and a free split facility.

CHECK YOUR PRIORITY LIST

What buyers look for: top seven factors



FACT FILE

Is it worth switching?

The cost of switching a variable-rate home loan is about $421 for most borrowers, says RateCity. If you calculate that you would save $50 in monthly repayments by switching, then it would take you only 8.4 months to "break even". In this case it may be worth giving your more expensive lender the flick.

You can crunch the numbers for yourself or visit Moneysmart.gov.au and use its handy "Mortgage switching" calculator. Don't simply assume you're on the best deal.

CHEAPEST HOME LOANS

Money Magazine Awards 2016 · Best of the Best 2016

GOLD WINNERS BANK UBANK NON-BANK REDUCE HOME LOANS

Borrowers are in a sweet spot thanks to low interest rates and fees

		INSTITUTION	PRODUCT	RANKING COST	ADV'D RATE	FEES UPFR	FEES ANN	REDR
BANK	1	**UBank**	UHomeLoan	$211,901	3.99%	none	none	✓
	2	**Bank Australia**	Basic Home Loan	$213,351	3.98%	none	none	✓
	3	**HSBC**	Home Value	$215,816	4.84%	none	none	✓
NON-BANK	1	**Reduce Home Loans**	Rate Buster	$206,631	3.94%	$1150	none	✓
	2	**loans.com.au**	Essentials	$208,270	4.02%	$520	none	✓
	3	**Pacific Mortg Gp**	Variable	$209,598	3.95%	none	none	✓

Source: CANSTAR.

The winners were ranked by the total cost of the loan – the interest cost plus fees – using 50% advertised rate and 50% average 6-month historical rate, for a $350,000 mortgage over 25 years, 80% LVR. Loans had to offer redraw.

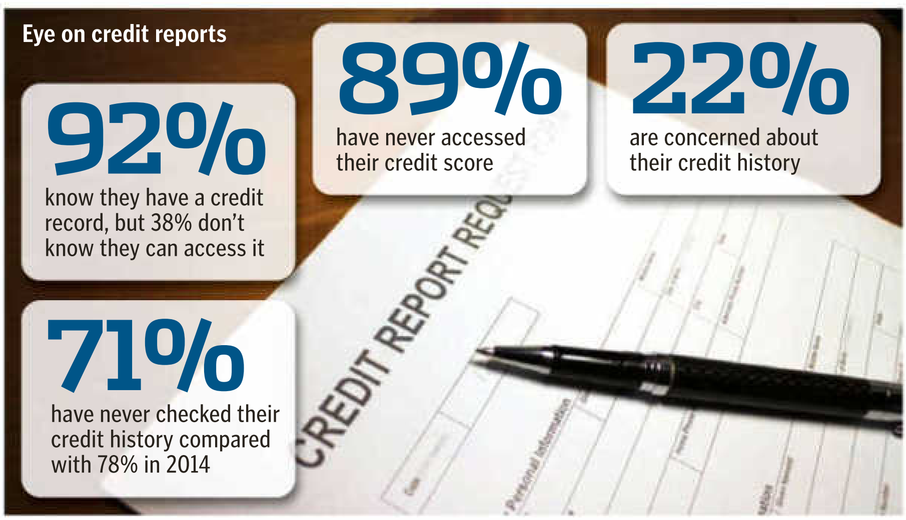
The property sector has had an interesting year. With the official cash rate at a low 2% at the time of writing, house prices have bobbed up and down throughout the country: some areas experienced record high growth while others, especially in mining areas, saw big drops.

Beware, though. Low rates may make it more appealing to settle down and sign up for a mortgage but, if rates go up, you don't want to suddenly be in over your head. Reassuringly, our winners also have the lowest rates over a six-month period.

UBank's UHomeLoan has topped the banks for the fourth year in a row. UBank offers you all the flexibility you need, with no application fees or fees for redraw and loan adjustment. The promotional rate of 3.99% is only available on a variable rate, so you're not able to fix any part of your loan.

Among the non-banks, the **Reduce Home Loans Rate Buster Offset** lends smaller amounts, up to $500,000. While being charged the cheapest rate around – 3.88% – you can make extra payments and use the redraw facility without penalty. That means you can get ahead on your mortgage but withdraw some of your savings at any time if you need them. The offset account will help you pay down your loan faster.

WHO CARES ABOUT THE SCORE



SOURCE: VEDA.COM.AU, OCTOBER 2015

FACT FILE

Choose the right term

Most lenders will offer you either 25 or 30 years to repay your home loan in full which might not seem like a big difference but when you do the maths you soon realise that while you are paying off less monthly, you are in fact going to pay a lot more in the long-run on interest says RateCity. Do your sums and if you choose a longer term try pay extra repayments.


REDUCE
— HOME LOANS —
CHEAPEST HOME LOAN NON-BANK
Money MAGAZINE
WINNER 2016
BEST OF THE BEST 2016
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CHEAPEST THREE-YEAR FIXED HOME LOANS

MONEY MAGAZINE AWARDS 2016 BEST OF THE BEST

GOLD WINNERS BANK UBANK NON-BANK NEWCASTLE PERMANENT

If peace of mind is important, you can lock in a low rate

To fix or not to fix? That is the question. The answer? Well, that depends on where you think interest rates are going. The average standard package discounted variable rate offered by our placegetters on page 100 is 4.16%. The winning loans here have three-year fixed rates as low as 3.89%.

So if you think rates will continue to drop you probably won't lock in. But here's the catch: just because the Reserve Bank may cut rates doesn't mean lenders will. According to our research partners, home owners are getting toey about locking in, even though we get it wrong 50% of the time. (See The Buzz on page 14.)

Locking in is all about peace of mind and at 3.89% our non-bank gold winner, **Newcastle Permanent**, offers just that. The building society also won the category last year so clearly it is consistently competitive. No application or ongoing fees apply for owner-occupied home loans but there's a $550 charge if the loan is for investment.

Money's gold bank winner in this category is **UBank**, the online subsidiary of NAB. It's a great home loan that is suitable for first-home buyers. Be aware, though, that while its variable home loan offers redraw, an offset account is not available. You can split your **UHomeLoan** up to four times with a minimum split of $20,000.

Fixed-rate home loans give you the certainty of knowing what your repayments will be for the fixed-rate period and, as most of our winners show, extra repayments are now allowed. Break costs can apply if you repay your loan early or go over the thresholds for extra repayments. How much you pay depends on what interest rate you locked in, what length of time remains on your fixed-rate term and the amount you borrowed in the first place.

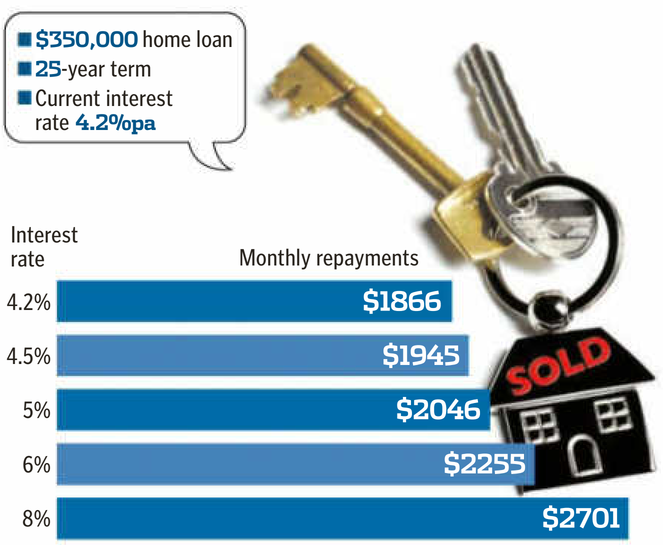
Of course, you can hedge your bets by splitting your loan into fixed and variable. Some brokers even suggest splitting your mortgage into two fixed-rate loans – that way you get double the amount of extra repayments without being hit by a penalty.

		INSTITUTION	COST	ADV RATE	FEE UPFR	FEE ANNL	MAX ADDL PAYTS	REDRAW
BANK	1	UBank	$68,951	4.18%	$395	none	$20,000[1]	✗
	2	Hume Bank	$69,812	4.50%	$150	none	25%[2]	✗
	3	ING Direct	$69,929	4.23%	$220	none	<$10,000[3]	✗
NON-BANK	1	Newcastle Permanent	$67,246	3.89%	none	none	$25,000[1]	✗
	2	Pacific Mortgage Gp	$67,369	4.09%	none	none	NAv[4]	✗
	3	Greater Building Soc	$69,154	4.09%	none	none	no max	✓

Source: CANSTAR. [1]For the whole term of the loan. [2]Total extra payments up to 25% of original loan. [3]Each year. [4]Additional payments aren't allowed. Penalties can apply if a loan is repaid early.

The winners were ranked by the total three-year loan repayments – the principal plus interest cost plus fees, based on a 25-year term – using 50% advertised rate and 50% average six-month historical rate for a $350,000 loan and a three-year fixed term.

CAN YOU AFFORD A RATE HIKE?



SOURCE: WWW.MONEYSMART.GOV.AU HOME LOAN CALCULATOR

CHEAPEST FIVE-YEAR FIXED INVESTMENT LOANS

Money Magazine Awards 2016 — Best of the Best 2016

GOLD WINNERS BANK **UBANK** NON-BANK **PACIFIC MORTGAGE GROUP**

Low interest rates and fees are great incentives to lock in

If you are worried about an interest rate increase, why not lock in a low rate for the next five years? While demand for fixed rates have been slowly increasing they still only accounted for 13.88% of all loans written in the month of October. Having said that if you have a young family, a fixed-rate loan gives you budget certainty during an expensive phase.

Another reason to fix your home loan is the possibility variable rates will rise, even if official rates do not. Some major banks have changed their home loan rates even though official rates haven't moved. And rates and borrowing conditions for investors were recently increased, partly to take heat out of booming markets.

For a good-value fixed-interest investment loan, low rates and low fees are crucial. **UBank's Investment UHome Loan**, this year's winner, has no application or ongoing fees, enabling you to lock in your 4.86% for a small cost. There are fees, however, for early repayments. You can make up to $20,000 worth of additional repayments during the fixed term, to reduce the interest you pay, but break costs may apply if you repay all or part of your loan early. Extra repayments can also be claimed back via unlimited redraw (minimum $1000).

UBank has an impressive record with previous rates, which should give you extra peace of mind. It allows you to split your home loan up to four times. Who knows, maybe in another five years rates will be even lower.

Pacific Mortgage Group has won the non-bank award for the third year in a row – a testament to its low rates and zero fees.

		INSTITUTION	COST	ADV. RATE	FEES		MAX ADDL PAYTS	REDRAW
					UPFR	ANNL		
BANK	1	UBank	$118,643	4.86%	$395	none	$20,000[1]	✗
	2	Beyond Bank	$120,101	4.64%	none	none	$25,000[1]	✓
	3	Teachers Mutual Bank	$120,612	4.57%	$750	none	NAv[2]	✗
	3	UniBank	$120,612	4.57%	$750	none	NAv[2]	✗
NON-BANK	1	Pacific Mortgage Gp	$114,236	4.39%	none	none	NAv[2]	✗
	2	Qantas Credit Union	$116,805	4.49%	none	none	$10,000[1]	✗
	3	Greater Building Socy	$119,103	4.74%	none	none	no max	✓

Source: CANSTAR. [1]For term of loan. [2]Additional payments aren't allowed.

The winners were ranked by the total five-year loan repayments – the principal plus interest cost plus fees, based on a 25-year term – using 50% advertised rate and 50% average 6-month historical rate for a $350,000 investment loan with a five-year fixed term.

TAKING THE MARKET'S TEMPERATURE

Is now a good time to buy a property or home?

Survey of 1006 respondents

Percentage of respondents who thought it was a good time to buy

ACT **80.0%**
Adelaide **76.1%**
Perth **72.3%**
Brisbane **66.7%**
Melbourne **52.7%**
Sydney **29.7%**

SOURCE: CORELOGIC RP DATA

CHEAPEST LINE OF CREDIT LOANS

GOLD WINNERS BANK **HERITAGE BANK** NON-BANK **STATE CUSTODIANS**

An affordable package gives home owners discounts on other products such as insurance

		INSTITUTION	PRODUCT	ADV'D RATE	COST[1]	INT CAP'N[2]	FEES	
							UPFR	ANNL
BANK	1	Heritage Bank	Home Advg Living Equity	4.30%	$238,076	✗	$100	$350
	2	BOQ	Clear Path Line of Credit	4.62%	$247,114	✓	$150	$120
	3	AMP Bank	Professional Pkg Classic	4.43%	$249,379	✗	$74	$349
NON-BANK	1	State Custodians	Line of Credit 80%	3.99%	$220,574	✓	$275	$299
	2	Pacific Mortg Gp	Line of Credit	4.19%	$229,570	✓	none	none
	3	Mortgage HOUSE	Vantage Offset Equity	4.49%	$238,046	✗	$670	none

Source: CANSTAR. [1]The interest cost over the 30-year term. [2]Interest capitalisation allowed up to the credit limit.

The winners were ranked by the total cost of the loan, including fees and interest, using 50% advertised rate and 50% average six-month historical rate for a $350,000 loan over 25 years, 80% LVR. Variable-rate products must have six months' history and transactional facilities.

Heritage Bank's Home Advantage Living Equity loan has taken out the award this year, offering a rate that is 0.8% below the market average, says Mitchell Watson, research manager at Canstar.

Customers choosing this product receive significant savings. "The loan also offers a full range of access including branch, ATM and EFTPOS and through online banking. Also included in this product is access to other discounts through the Home Advantage package," Watson says.

This package, costing $350 a year, means customers don't pay the $600 upfront application fee or the $8 monthly service fee. They also enjoy access to an annual fee-free Heritage credit card of their choice and discounts on insurance products, among other benefits.

The non-bank winner for the sixth year in the row is **State Custodians**, which offers the lowest interest rate in the market for a line of credit loan, says Watson. "Its rate is 1.09% below the market average. And you can borrow up to 90% of the value of the property you are financing." You will pay lenders mortgage insurance if you borrow more than 80% of the value.

State Custodians also offers a range of access points, including ATM, EFTPOS and online, Watson says.

Other features include unlimited extra payments at no cost, unlimited online redraws and the ability of the borrower to use the borrowed funds for business purposes.

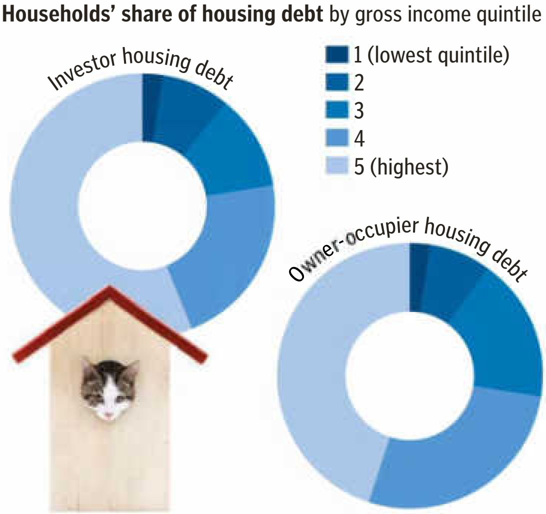
FACT FILE

Self-discipline is key

Having a line of credit loan has been likened to having a credit card with a great big credit limit. As you have access to substantial funds, a line of credit is a sensible choice only if you are extremely disciplined. If you will be tempted to use the funds for spur-of-the-moment purchases, a line of credit is probably not for you. But used responsibly, it is a powerful wealth-building tool, enabling home owners to use the equity they have built up to start investing before they pay off the mortgage.

MAKE MORE, OWE MORE

Households' share of housing debt by gross income quintile



SOURCE: RBA SUBMISSION TO HOME OWNERSHIP INQUIRY, JUNE 2015


Let's Chat
Looking for a better deal on your home loan?
Speak to us, Australia's 2015 Non-Bank Lender of the Year
Call 13 72 62 or visit
www.statecustodians.com.au

BEST REVERSE MORTGAGES

GOLD WINNER HEARTLAND SENIORS FINANCE

Retirees can draw on the equity in their home if they need extra cash

Women are retiring, on average, with $112,000 in super and men with about $204,000. One in three women will retire with no super at all, according to the Association of Superannuation Funds of Australia. So it comes as no surprise that the appetite for reverse mortgages is increasing.

More and more retirees are happy to spend the kids' inheritance to maintain their quality of life – or because they have no other option. Reverse mortgages are a way to do this.

It's almost the same as drawing on your home equity when you have a mortgage, except you, or your estate, are not obliged to repay the loan until you sell the property. The loan payment can be a cash lump sum, as a regular income stream, as a line of credit or a combination of these.

Heartland Seniors Finance took out this year's top award. The rankings were based on a combination of features and fees. Having flexibility with a reverse mortgage is crucial for a relaxed retirement and, while Heartland wasn't the cheapest loan, it came up trumps because of its free extra repayments and other features.

Under Heartland's equity protection option you can choose to protect a percentage of the eventual net sale proceeds of your home (10%, 20% or 50%), regardless of how much you owe the bank; it costs $295. As with any other type of mortgage, you also have the option to draw down extra payments, but there is a $60 penalty every time.

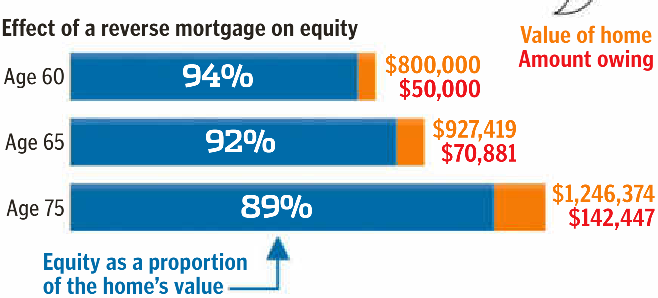
Reverse mortgages can be used to fund a holiday, renovate the house or build an income stream and can be a godsend for retirees who are asset rich but cash poor. The main issue with these products is that interest on the unrepaid loan compounds and your debt can grow quickly. For example, if you take out a $50,000 reverse mortgage when you are 60, it could easily increase to around $143,000 by the time you're 75 (and that's assuming rates stay low, at around 7%).

	INSTITUTION	PRODUCT	RATE	TOTAL COST[1]	APPL'N FEE	VALN FEE	ANNL FEE	MAX LOAN	COMBO LUMP SUM, INSTALTS	MIN AGE
1	Heartland Seniors Fin	Lifetime Loan	6.25%	$44,606	$995	$350	none	$1 million	✓	60
2	Bankwest	Snrs Equity Rlse	6.32%	$44,608	$695	none	none	$250,000	✗	65
3	Commonwealth Bank	Equity Unlock	6.60%	$48,955	$950	none	$144	$425,000	✓	65

Source: CANSTAR. All loans allow extra repayments. [1]Total cost at the end of year 10 is the compounded interest payment, where interest is capitalised, and fees over the 10 years, assuming no repayment of the principal.

The winners were ranked by scores for product features (30%) and cost (70%), based on a variable-rate 10-year loan for a $50,000 lump-sum payment. Products were required to have a no negative equity guarantee and be available in NSW, Victoria and Queensland.

TAP INTO YOUR HOME'S VALUE



SOURCE: MONEYSMART

FACT FILE

Need a little help from the government? Take your pick

Pension loans scheme: This loan (5.25%) is for people who are of pension age but are ineligible for the age pension due to assets or income. You can access capital tied up in your assets to provide extra income. You are able to receive up to the maximum amount of the age pension, and payments are made each fortnight.

Commonwealth seniors health card: Gives you access to cheaper prescriptions via the Pharmaceutical Benefits Scheme and an increase in benefits for medical expenses above a certain threshold via the Medicare safety net. The card is available to Australians of pension age who don't qualify for the age pension or Department of Veterans' Affairs pension. Subject to an income test.

Seniors card: A free state-based concession card for over-60s. Some states have a working hours limit to qualify for the card, while the benefits can include cheaper council rates and public transport and shopping discounts.

CHEAPEST PERSONAL LOANS

Money Magazine Awards 2016 — The Best of the Best 2016

GOLD WINNERS BANK **VICTORIA TEACHERS MUTUAL BANK**
NON-BANK **NEWCASTLE PERMANENT**

Keep your debt under control with lower interest rates and redraw option

This is the fourth year in a row that **Victoria Teachers Mutual Bank** has won our bank Cheapest Personal Loan award, a result of its impressive low rates.

Its unsecured loan, at a variable rate, allows you to choose your repayment frequency and to pay off your debt faster with extra repayments. You can also redraw from your payments (a minimum of $500).

For the second straight year, non-bank winner **Newcastle Permanent's** unsecured fixed-rate loan is one of the cheapest around. Its $195 application fee is relatively high, but no ongoing fees apply and you can make additional repayments, with no restrictions on size or number, with no penalty. It also has a flexible repayment schedule.

		INSTITUTION	ADVERTISED RATE	TOTAL PAID	MIN LOAN	TOTAL UPFR FEE
BANK	1	Victoria Teachers Mutual Bank	11.74%	$11,903	none	$90
	2	Defence Bank	11.74%	$12,063	none	$150
	3	BankVic	12.95%	$12,121	$3000	none
NON-BANK	1	Newcastle Permanent	7.99%	$11,474	$1000	$195
	2	Intech Credit Union	9.99%	$11,765	$2000	$150
	3	Gateway Credit Union	10.09%	$11,787	$3000	$149

Source: CANSTAR.

The winners were ranked by cost of repayment of an unsecured loan of $10,000 over 3 years, based on 50% advertised fixed and variable rates and 50% average 6-month historical fixed and variable rates (average taken if range applied) and fees.

CHEAPEST NEW CAR LOANS

Money Magazine Awards 2016 — The Best of the Best 2016

GOLD WINNERS BANK **DEFENCE BANK** NON-BANK **NORTHERN BEACHES CREDIT UNION**

Low interest rates and fees can help you take to the road in style

For the third year in a row, **Defence Bank** has taken out our bank Cheapest New Car Loan award, with no fees or penalties for early payouts or extra repayments. Paying off your loan quickly should be a top priority but if you overcommit funds, Defence Bank's loan offers free redraw facilities for the life of the loan.

Northern Beaches Credit Union's new car loan – at a mortgage rate – wins our non-bank category again this year. A maximum loan amount of $65,000 and a term of five years, makes this loan ideal for a broad range of new vehicles. You also gain access to a range of insurance products covering, among others, loan repayments and vehicle.

Non-bank second placegetter **Holiday Coast** also has a very competitive rate, flexible features and you'll be eligible for its Skip-a-Loan-Repayment Christmas promotion.

		INSTITUTION	ADV RATE	TOTAL PAID	LOAN MIN'M-MAX'M	TOTAL UPFR FEE
BANK	1	Defence Bank	6.69%	$35,529	$0-$100,000	$150
	2	Beyond Bank	6.74%	$35,572	$25,000-$125,000	$150
	3	BankVic	6.99%	$35,634	$20,000-$100,000	none
NON-BANK	1	Northern Beaches CU	5.34%	$34,301	$10,000-$65,000	none
	2	Holiday Coast CU	6.49%	$34,991	$5000-$70,000	$200
	3	Transport Mutual CU	6.54%	$35,253	$5000-unlimited	none

Source: CANSTAR.

The winning secured loans were ranked by the total cost of repayment of a 5-year loan for a new car purchase of $30,000, based on 50% advertised rates and 50% average 6-month historical rate (average taken if range applied) and fees. Fixed and variable rates were included.

CHEAPEST BUSINESS TRANSACTION ACCOUNTS

GOLD WINNERS BANK **BANKWEST** NON-BANK **FIRST OPTION CREDIT UNION**

Low fees are backed by handy optional extras such as overdraft and cheque book

Over the past half-decade, **Bankwest's Business Zero Transaction** account has dominated this category. While the account extends fee-free banking to its customers for domestic Bankwest electronic, paper or over-the-counter transactions, other fees and charges may apply for such activities as using other banks' ATMs, overseas ATM access and foreign transactions.

Business Zero Transaction is compatible with the cloud accounting software Xero and MYOB and it also comes with an overdraft facility. If you prefer traditional banking transactions, Bankwest offers an optional cheque and deposit book.

If a low-fee business account that pays some interest on balances above $5000 tickles your fancy, then the **Business Cash Hub** account from our non-bank winner, **First Option Credit Union**, is worth a look.

		INSTITUTION	PRODUCT	AVG COST PM[1]	ADV. RATE	ATM/ EFTPOS
BANK	1	**Bankwest**	Business Zero	$0.00	0.00%	✓
	2	**Suncorp Bank**	Business Everyday	$0.99	0.00%	✓
	3	**Suncorp Bank**	Business Premium	$7.96	0.00%	✓
NON-BANK	1	**First Option CU**	Business Cash Hub	$0.00	2.00%	✓
	2	**SCU**	Premier Business	$3.47	0.05%	✓
	3	**bcu**	Business Access	$20.00	0.05%	✓

Source: CANSTAR. [1]Ignores interest earnings. Rate is for a $10,000 balance.

The winners were ranked by fees then interest rate for 100 transactions a month and an average $10,000 balance and $100,000 monthly deposit; account must offer cheque deposits and withdrawals (no conditions), direct debit and direct credit.

CHEAPEST BUSINESS CREDIT CARDS

GOLD WINNERS BANK **BANK OF MELBOURNE, BANKSA, ST.GEORGE** NON-BANK **NEWCASTLE PERMANENT**

Low interest rates can help start-ups get through the lean times

Westpac affiliates **Bank SA, St.George and Bank of Melbourne** have backed up last year's win with more gold.

If you're starting a business, cash flow will be your first priority. So it's sensible to select a card that charges the lowest interest rate on money to get you through any tight spots created by a business lull or overdue client payments.

None of the bank winners' cards nor **Heritage Bank's Business Visa** offer transfer balances. If you've been in business for a while and are looking to shift credit card providers, third-placed **Bankwest Low Rate MasterCard** offers balance transfer but there is no introductory transfer offer, so you'll pay the full interest rate.

Non-bank winner **Newcastle Permanent** has scored a double hat-trick following wins in 2013, 2014 and 2015. But with an interest rate of 13.2% and an annual fee of $55, it's more expensive than its bank rivals.

		INSTITUTION	PRODUCT	TOTAL COST	CURR RATE	ANN'L FEE	INT FR DAYS	BAL TRANS	RWDS PROGR
BANK	1	**Bank of Melbourne, BankSA, St.George**	BusinessVantage Visa	$355	9.99%	$55	55	✗	✗
	2	**Heritage Bank**	Business Visa Unsec	$424	12.95%	$35	40	✗	✗
	3	**Bankwest**	Bus MC Low Rate	$430	11.99%	$59	55	✓	✗
NON-BANK	1	**Newcastle Permanent**	Business+ CC	$451	13.20%	$55	44	✓	✗
	2	**Coastline Credit Union**	Visa Business Rwder	$705	17.00%	$195	55	✓	✓

Source: CANSTAR.

The winners were ranked on the total cost over 12 months of revolving a $3000 debt, including interest and annual fee. The interest rate used was 50% current interest rate and 50% six-month historical average interest rate.

BEST TRANSACTOR CREDIT CARDS

MONEY MAGAZINE AWARDS 2016 BEST OF THE BEST 2016

GOLD WINNERS BANK **BEYOND BANK** NON-BANK **COLES**

If you pay the balance in full each month, it can be free money

Four of the seven credit cards that have made the grade this year have 62 days interest-free from the statement date, giving you more time to pay off your debt before having to pay interest. This is why these cards are great for "transactors" – that is, those who like to use their credit card but always pay it in full each month.

Something our non-bank winner, the **Coles No Annual Fee** card, really has going for it is that it also doesn't charge an annual fee, so that if you use it in a disciplined way, it's a credit card that will actually cost you nothing. Plus you'll also earn one flybuys point for every $2 you spend. You can also get free delivery from Coles online if you pay using your card. These same benefits apply to the **Coles Low Rate MasterCard**.

Beyond Bank's Low Rate Visa has a lower rate than our non-bank winner, which may be a bonus if you get caught out and can't pay your card in full on any given month.

		INSTITUTION	PRODUCT	ADV RATE	ANNL FEE	INT-FREE DAYS[1]
BANK	1	**Beyond Bank**	Low Rate Visa	12.49%	$49	62
	2	**ME Bank**	frank	9.99%	none	55
	3	**Teachers Mutual Bank**	Teachers Credit Card	11.50%	none	55
	3	**UniBank**	Visa	11.50%	none	55
NON-BANK	1	**Coles**	No Annual Fee MC[2]	19.99%	none	62
	2	**Coles**	Low Rate MasterCard[2]	12.99%	$49	62
	3	**People's Choice CU**	Visa	12.95%	$59	62

Source: CANSTAR. [1]Maximum number after statement date. [2]Standard and Platinum.

The winners were ranked by a score for interest-free days (80%) and annual fee (20%) and then by rate. The category includes charge cards.

CHEAPEST BALANCE TRANSFER CREDIT CARDS

MONEY MAGAZINE AWARDS 2016 BEST OF THE BEST 2016

GOLD WINNERS BANK **HERITAGE BANK** NON-BANK **QUAY CREDIT UNION**

Taking advantage of a 0% interest deal can save you hundreds of dollars

If you're really prepared to knuckle down and pay off your credit card debt, many balance transfer cards are great options. Say you have a $10,000 debt on a card charging 18%pa interest and have committed to repaying $362 a month to clear your debt in three years. You'll pay more than $3000 in interest.

Transfer that debt to **Heritage Bank's** winning offer: you'd save more than $2000 in interest and have lower monthly repayments. Of course, that means not adding new debt to the card. You have to transfer at least $200 to be eligible and the maximum you can transfer is 95% of the credit limit.

Non-bank winner **Quay Credit Union's** offer is for a shorter period but its low revert rate of 7.99% makes it great value. The annual fee is waived in the first year. It is a good card to hold onto after you clear your debt – it also takes out a gong for Cheapest Credit Card (page 120).

		INSTITUTION	PRODUCT	TRANSF RATE	INTRO PERIOD	REVERT RATE	ANNL FEE	TOTAL REPAID
BANK	1	**Heritage Bank**	Gold Low Rate	0%	12m	11.80%	none	$10,815
	2	**Aust Military Bank**[1]	Low Rate Visa	0%	12m	10.99%	$49	$10,913
	3	**Westpac**	Altitude	0%	20m	20.74%	$100	$10,954
NON-BANK	1	**Quay Credit Union**	Visa	0%	6m	7.99%	$36	$10,984
	2	**Summerland CU**	Low Rate Card	0%	9m	11.99%	$49	$11,209
	3	**Jetstar**	MasterCard	0%	12m	14.99%	$59	$11,220

Source: CANSTAR. [1]Formerly ADCU

The winners were ranked by the total cost of repaying a $10,000 debt over three years.

BEST REWARDS CREDIT CARDS

GOLD WINNERS BANK ANZ NON-BANK AMERICAN EXPRESS

Shop till you drop – and enjoy a wide range of fringe benefits

All the credit cards that made the grade this year also featured in this category last year – and the year before and the year before that. They have been offering great rewards to cardholders for some time. The cards that make the cut in the non-bank category have ties to retailers David Jones and Coles.

With **David Jones American Express,** you earn three reward points for each $1 spent at major supermarkets and petrol stations, two for $1 spent at David Jones and one for $1 spent elsewhere. You also get access to in-store benefits at DJs.

On **ANZ Rewards Platinum** you get two cards – a Visa and an American Express. You earn three points for each $1 spent when you use the Amex but just 1.5 points for $1 spent on Visa. As with most Platinum cards, it comes with a host of other benefits such as overseas travel and medical insurance and 90-day purchase security.

		INSTITUTION	CREDIT CARD	REWARDS PROGRAM	ADV RATE	ANNL FEE	REWD RTN AFT FEES
BANK	1	ANZ	Rewards Platinum	Rewards Platm Amex	18.79%	$149	$210.75
	2	Westpac	Altitude	Altitude Rewards Amex	20.24%	$100	$194.06
	3	ANZ	Rewards	Rewards Amex	18.79%	$89	$150.83
NON-BANK	1	American Express	David Jones Card	DJs M'ship Rewards	20.74%	$99	$292.00
	2	Coles[1]	Rewards MC	MC flybuys Rewards	19.99%	$89	$221.03
	3	American Express	DJs Platinum Card	DJs Platm M'ship Rwds	20.74%	$295	$164.88

Source: CANSTAR. [1]Standard and Platinum.

The winners were ranked by their average reward returns after fees, based on a $2000pm spend across all categories; rewards available in at least lifestyle, shopping and entertainment categories, with bonus points for additional spend types.

BEST FREQUENT FLYER CREDIT CARDS

GOLD WINNERS INTERNATIONAL AMERICAN EXPRESS DOMESTIC AMERICAN EXPRESS

If you use plastic to do your shopping and pay the bills, your next flight could be free

Whether you're after international or domestic travel frequent flyer perks, the same card comes up trumps: **American Express Platinum Edge Credit Card**.

You have to be a big spender to benefit, though – $5000 a month will earn just over $1000 worth of international flight value. You also get complimentary enrolment in the Membership Rewards Ascent program (a saving of $80 a year).

Rewards are earned at different rates. You'll get three points for $1 spent at major supermarkets, two points for $1 spent at major petrol stations and one point for each $1 worth of all other purchases, excluding utilities, insurance (except Amex policies), telecommunications and at government agencies, on which you earn 0.5 points. If you apply online by February 2, 2016, are approved and spend $550 on your card in the first two months, you'll get 10,000 bonus points.

		INSTITUTION	CARD	ADVERT RATE	ANNL FEE[1]	MAX INT-FREE DAYS[2]	REWARDS PROGRAM	NET VALUE
INTERNAT'L 6 FLIGHTS	1	American Express	Platinum Edge	20.74%	$195	55	Membership Rewards Ascent	$1027
	2	Diners Club	Diners Club + World MC	chg card	$389	37	Diners Club Rewards	$895
	3	NAB	Velocity Premium	19.99%	$150	44	Velocity Rwds Premium Amex	$870
DOMESTIC 3 FLIGHTS	1	American Express	Platinum Edge	20.74%	$195	55	Membership Rewards Ascent	$1377
	2	Diners Club	Diners Club + World MC	chg card	$389	37	Diners Club Rewards	$1334
	3	NAB	Velocity Premium	19.99%	$150	44	Velocity Rwds Premium Amex	$1200

Source: CANSTAR. Frequent flyer partner is Qantas in all cases. [1]Combined card and program fee. [2]After statement date.

The winners were ranked on the net value towards flights that could be redeemed for a $60,000 annual spend, allowing for taxes and airline charges. 1. International: across 3 domestic and 3 international routes. 2. Domestic: across 3 domestic routes. Cards must be available for $70,000pa income.

CHEAPEST CREDIT CARDS

GOLD WINNERS BANK **ME BANK** NON-BANK **QUAY CREDIT UNION**

Check all the details, because high fees can take the gloss off a good interest rate

Fees are almost as important as the interest rate when you're looking at credit cards. Our non-bank winner, **Quay Credit Union**, might have a cheaper rate than bank winner ME but its annual fee makes it a touch more expensive. That said, both offer great value for customers who don't pay off their card in full and live in constant debt.

And Quay does waive the annual fee for the first year. It also has a balance transfer offer of 0% for six months which, when combined with its low ongoing rate, helped it pick up Cheapest Balance Transfer Credit Card among the non-banks (see page 117).

		INSTITUTION	PRODUCT	ADV RATE	ANNL FEE	BAL TRANS	INT-FREE DAYS[1]	REW PROG	ANNL COST
BANK	1	**ME Bank**	frank	9.99%	none	✓	55	✗	$249.75
	2	**Teachers Mutual Bank**	Teachers CC	11.50%	none	✓	55	✗	$287.50
	2	**UniBank**	Visa	11.50%	none	✓	55	✗	$287.50
	3	**Heritage Bank**	Gold Low Rate	11.80%	none	✓	0	✗	$295.00
NON-BANK	1	**Quay CU**	Visa	7.99%	$36	✓	55	✗	$254.50
	2	**Community First CU**	Low Rate Visa[2]	8.99%	$40	✓	55	✗	$264.75
	3	**SCU**	Low Rate Visa	10.49%	$30	✓	55	✗	$292.75

Source: CANSTAR. [1]Maximum number after statement date. [2]And McGrath Pink Visa.

The winners were ranked by the total cost of revolving a $2500 debt over the past 12 months, including interest and annual fees. The interest rate used was 50% current interest rate and 50% 6m historical average interest rate.

An interesting feature of **ME Bank's frank** credit card is that the same rate of 9.99% applies to cash advances. The catch? A fee of $4, or 2% of the amount (whichever is greater), and other transaction fees may apply. You can add up to eight extra cardholders free of charge.

BEST INNOVATIVE BANKING PRODUCT

GOLD WINNER **ACT.**

Financial products can be used to support worthy causes

Crowdfunding has certainly become a big buzzword this year and our winning product, **act.**, combines crowdfunding and retail banking, which its submission describes as a world-first model.

Act. is a division of Community Sector Banking – which is a 50:50 joint venture between Community 21 and Bendigo Bank to cater to the not-for-profit sector. As soon as you open a bank account with act., you are eligible to receive an Impact Account. Every time you do your banking, you earn "impact dollars" which you can allocate to any of the – often community-focused – projects on the website, letsact.com.au, through a linked crowdfunding platform.

You can choose from a range of products, all issued and backed by Bendigo Bank, including a transaction account, online savings account, personal loan, home loan and credit cards.

On a $400,000 home loan, for example, you could earn $49.86 impact dollars a month; if you have an online savings account with an average monthly balance of $10,000 you could earn $4.16 a month; and if you spend $3000 on your credit card each month you could earn $3 a month.

Although other financial products let consumers give back, this is the first one that gives you a choice about when or where your money goes.

Some of the projects you could donate to at the time of writing include Moreland Primary School, which is trying to raise $5000 to install a solar system and "A Christmas Invitation" to host a traditional Christmas dinner for some of Melbourne's homeless and least fortunate.

The winners were judged based on their submissions. Invitations to submit entries were given to all institutions on the Canstar database. Only products that were launched in the past 12 months were eligible. Entries for submissions closed on October 9, 2015. They were judged on innovation, scope and where applicable, price.

The battle for EYEBALLS

There will be even more top TV shows and movies to enjoy but make sure your broadband plan can handle the load

Q Netflix really took the market by storm. What can we expect in the future?

IT'S UNLIKELY WE'LL SEE new subscription video-on-demand providers next year, with the market still figuring out whether there is room for the three we have now. What we do expect is the battle for our business to escalate and high-quality content to be the ammunition. Netflix and Stan are investing in original content, including some Australian-made shows, while Presto boasts that it will host 15 of the top 30 box-office hits of 2015.

The paid streaming services also have to contend with free-to-view offerings from the ABC and SBS, which also bid for the licence to popular TV shows and movies, produce high-quality local content and stream all these videos without charge. Given so many options, we definitely won't struggle to find something to watch in 2016.

Also, we should all be looking around for a new home broadband deal. The Bureau of Statistics reports Australia's total data downloads increased a huge 40% in the past 12 months so, if you're thinking about getting Netflix, you should also consider an upgraded broadband plan to be sure your limits match your usage.

Q Family sharing of data was another big thing in 2015. What we can expect in the new year?

Family plans (or data pools) were the most significant shift for the telcos in 2015 but these options are yet to reach their full potential. In the US, family plans now account for over 50% of all active mobile plans, mostly because they represent excellent value.

Bundling four or more plans into a single bill brings a considerable discount compared with the same plans sold separately.

In Australia, shared plans are mostly a convenience for now – you pay the same for the plans whether they are pooled or not. It's an advantage that all family members can help in using up all the data you pay for but, until there is a worthwhile discount, it is hard to be too enthusiastic about them. A single bill is a boon for families with multiple active phone services but a lower monthly bill would be better.

Expect a big push towards shared plans, once the kinks are ironed out and awareness of these products grows. Telstra and Optus are well positioned to offer the internet triple play of broadband, mobile phones and streaming TV, all bundled together with a chunky discount to keep us locked in for good.

Joseph Hanlon
editor, WhistleOut

TECHNOLOGY

Gadgets keep getting smarter: welcome to the future

PRO TABLETS

The iPad was a massive success for Apple on its release in 2010, becoming an instant hit and creating a flood of imitators. Since then, things have cooled in the tablet market but new products for professional users suggest renewed life in the work tablet space. Microsoft appears to have kickstarted this, with its Surface Pro line gaining considerable traction thanks to a range of iterative releases. Its latest model, Surface Pro 4, will now be matched by the first "prosumer" model from Apple, iPad Pro. Is this the year tablets finally make your laptop redundant in the office?

EDGE OF REALITY

It feels as if it's been coming for a lifetime but 2016 is set to be the year when virtual reality finally hits the market in earnest. Front and centre will the arrival of Oculus Rift, the most eagerly awaited virtual reality headset for gaming and new types of interactive entertainment. We're also likely to see new products from Samsung, Sony and HTC, among others. And that's just virtual reality (completely computer-generated visuals). On the augmented reality front (computer-generated visuals overlaid on the real world), Microsoft's HoloLens looks to offer an amazing amalgam of holographic-style projections and real life. Exciting stuff.

ENERGY STORAGE

Things are moving so quickly in this area. Domestic energy storage units have been available but it's fair to say that none has achieved the same degree of publicity as Tesla's Powerwall. This home mega battery stores electricity generated from solar panels, and you can save your own energy reserves economically to tap. The concept is relatively niche but it's expected to become a mainstay of power consumption in future decades.

Peter Dockrill

DOWNLOAD NOW

SHOPPING NINJA

Cost: free
OS: iOS and Android

Bargain hunters rejoice! You can now access your favourite discount search engine while you're on the move. At the time of writing, this app had just launched – for the moment you can only search for electronics and alcohol but there's promise of health and beauty products being added soon. A quick search for a 750ml bottle of Veuve Clicquot returns 10 results and one of them costs only $54. Cheers!

DULUX COLOUR

Cost: free
OS: iOS and Android

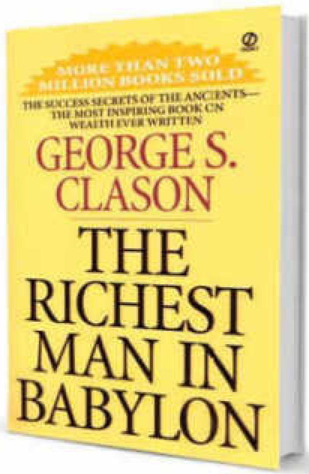
Adding more value to your home can be as simple as a new lick of paint. But sorting through testers and making endless trips to and from Bunnings can be tiresome – and can quickly kill the enthusiasm. Dulux's new Colour app minimises the stress by allowing you to experiment with its range of colours on your phone. You simply take a photo of the space you want to paint, select a wall and try a colour from Dulux's range of 4500 – matches are as close as possible to the true colour. The app really speeds up decision-making.

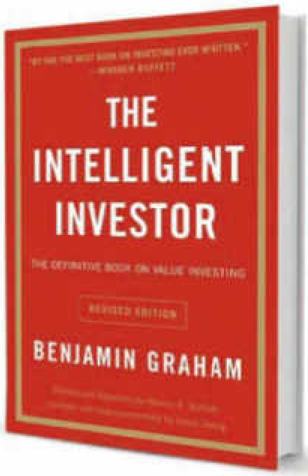
CUDO

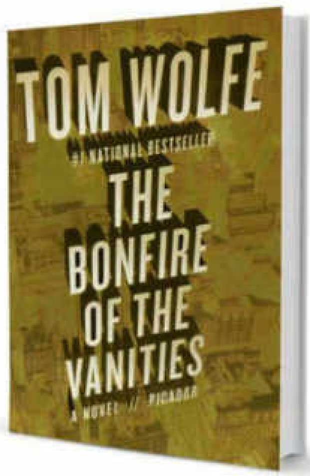
Cost: free
OS: iOS and Android

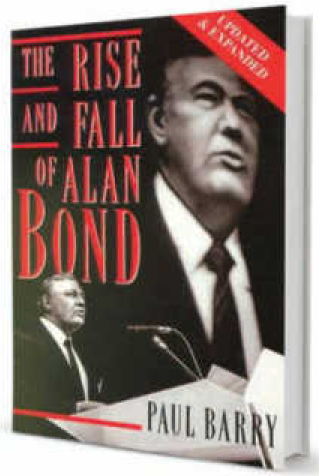
With Christmas coming up, what could be better than a range of exclusive deals on gifts, restaurants, vacations and pamper treatments? The Cudo app has special offers that will cater to your full wish list. Gifts and clothing can be directly purchased and will be delivered to your door, while the experiences on offer – from romantic dinners for two to pamper packages – can be purchased in coupon form. Sign up to Cudo's mailing list and get exclusive discounts daily.

A WEALTH









Money asked 10 of our regular experts to tell us about a finance book that influenced their lives

PAUL CLITHEROE

Before I had heard of Warren Buffett I was given a copy, I think in the mid-1970s, of *The Richest Man in Babylon*. It was originally published in 1926. Maybe Mr Buffett read it as well, as he was born in 1930.

With all the rubbish written and spoken about money, the simple truth in the book impacted on me. Things like: save 10% of your income and invest it; save first and pay yourself the other 90% to spend. Simple but powerful. Read it then pass it on to family and friends.

ROSS GREENWOOD

Business books, investment books ... I have devoured them all over the years. But there's a difference between any book and a good book. Technical tomes are not for me. I like books that have a ripping yarn – not ones that put me to sleep. With this in mind, I have chosen two:

The Intelligent Investor by Benjamin Graham. This book – and Graham's tuition – set Warren Buffett on a course to become America's second-richest man. It will change your attitude about shares: they are not speculative playthings but companies that can and should be valued.

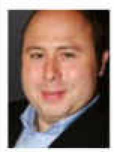
The Bonfire of the Vanities by Tom Wolfe. If you have seen the Hollywood film starring Tom Hanks, Kim Cattrall and Melanie Griffith, do yourself a favour and read the book. It is a ripper. The movie is a stinker. Sherman McCoy's downfall is delicious.

There are so many others: *The Clash That Defined Modern Economics* by Keynes Hayek, *Irrational Exuberance* by Robert Schiller, *One Up On Wall Street* by Peter Lynch. One book? OK. To be entertained, go for *The Bonfire of the Vanities*; for education, *The Intelligent Investor.*

EFFIE ZAHOS

Corporate insanity at its best! I was only 20 when I read *The Rise and Fall of Alan Bond* but I remember finding it very hard to put it down. The author, Paul Barry, gives a brilliant insight into a slice of Australian history as a hero turns villain. As Barry says: "He had such amazing talents. It's a shame he didn't use them better."

What did I learn? Greed is not good. At one time Bond had debts of some $12 billion, or more than $700 for every man, woman and child in Australia at the time. Excess catches up with all of us eventually.



GREG HOFFMAN

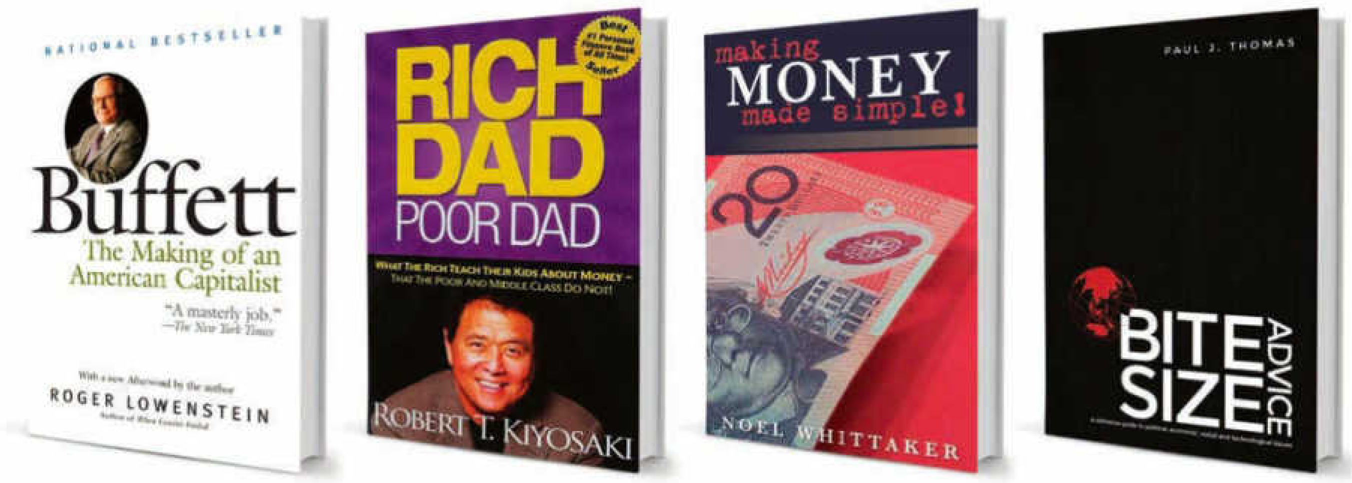
Warren Buffett's life story resonated with me from the moment I began reading it and the well-written biography *Buffett: The Making of an American Capitalist*, by Roger Lowenstein, is my favourite. It's an easy read that gently introduces key value-investing principles and ideas.

It served as a launch pad for my further reading about Buffett (in particular, his annual chairman's letter to investors, available on the internet), his business partner Charlie Munger, his teacher and mentor Ben Graham and another influence, Phil Fisher. It also inspired me to study accounting and learn about as many businesses as I could.

MARCUS PADLEY

This is a bit of an obvious one but that's why it's such a good book and led to so many sequels. I read *Rich Dad Poor Dad*, by Robert Kiyosaki, at exactly the right time in 1998, when I was on holiday between jobs.

OF WRITING



I had been paid a generous redundancy package by an institutional stockbroker and was about to take a job in retail stockbroking (individuals instead of big fund managers).

I got the gist of the story in the first chapter: stop working for a wage building other people's assets and start working for yourself and building your own asset. Now I own the business I work in, do what I love and love what I do. But it doesn't happen overnight, which is why you need to get this message early in your working career.

MARGARET LOMAS

At 30 I decided that it was high time I changed my money habits. I attended a number of seminars and at one of these was struck by a gentleman who just made so much sense. He had available a book that was to change how I felt about money and make a contribution to my future success. That gentleman was Noel Whittaker and his book, *Making Money Made Simple*, still sits in my bookcase. Little did I realise at the time that years later Noel would be my very great friend and that today we have great debates all the time about shares versus property!

SAM HENDERSON

The principle of "pay yourself first" is clearly illustrated in George S Clason's classic parable, *The Richest Man in Babylon*, whereby we are taught to stop paying everyone else and pay yourself first.

Each pay period we pay the bank its interest, the credit card company, the utilities companies, our phone provider, retailers for useless stuff or whatever. But not enough people are saving and saving needs to be a priority. The principle of "pay yourself first" is all about saving money and giving yourself what you deserve for your hard work and making sure you will have something to show for it in the long term.

BRYCE HOLDAWAY

The parable writing style differentiating between Mike's "rich" dad and his "poor" dad made *Rich Dad Poor Dad*, by Robert Kiyosaki, an absolute page turner for me and anchored the personal financial principles that I was on the fringe of grasping but never really "got" until this book, despite my accounting qualification.

Since reading it, I've instilled its core principles, namely: the rich don't work for money; financial literacy is the most important asset; learn to "mind your own business"; individuals earn, get taxed then spend what's left versus corporations that earn, spend first and pay tax on what's left; the rich invent money; and work to learn, don't work for money!

It definitely had a lasting impact on my investing and career choices.

LISA MONTGOMERY

A book that has had a real impact on me in recent times is a new release called *Bite Size Advice*. It's written by Gateway Credit Union CEO Paul Thomas and is a marvellous cross-section of blog posts that really tackles the financial literacy issue in depth.

The book is packed with helpful information for time-starved readers covering political, economic, social and technological issues. It's written in clear and concise language and delivered efficiently in bite-size chunks. Most importantly, it helps the reader make informed and effective decisions on money management – something I am most passionate about.

SHANE OLIVER

It took me a while to see the timeless value of the concepts in *The Intelligent Investor*, just as it took Benjamin Graham much experience – including losing most of his fortune in the 1929 crash and its aftermath – to get to the point where he could write it.

It highlights two principles that investors need to understand to be successful: first, the power of market psychology in driving sharemarkets; second, the importance of getting a handle on the fundamental value of investments. I agree with Warren Buffett in regarding it as one of the best books on investing ever written.

Top tipples under $20

If you want good quality at a budget price, or something for a special occasion, you won't be disappointed, writes Peter Forrestal

For many people, one of the great pleasures in life is a decent glass or two of wine consumed over a freshly prepared evening meal. Thanks to a vibrant local wine industry, this has become an accepted part of everyday life. Most of us look for good quaffing wines for everyday drinking and hope for something to splurge on for special occasions (such as weekends).

This article suggests a range of wines that offer incredible value for $20 or less. It's not as easy as it once was to find very good wines that retail for less than $10. The best way to shop for bargains at this price point is to identify the most reliable large brands – Angove, De Bortoli, Houghton, Jacob's Creek, Lindemans, Oxford Landing and Wolf Blass – and look for them on special in supermarkets.

In quality terms, the best budget-priced wines are most likely to fall between $15 and $20. However, energetic competition, especially between supermarkets, means that these are often available way below the recommended retail price.

It pays to look for special offers – 30% off seems available pretty regularly – and to buy in six-bottle cases. Reading the wine press and developing a close relationship with a retailer who comes to understand your tastes are also excellent ways to make the most of your buying power.

HOW WE CHOOSE THE WINES

This is the 15th time I've made this annual selection of Australia's best quaffing wines. In choosing from the substantial number of wines tasted, there's a balanced selection of quaffers. The starting point is always quality, and then price. Most Australian states are represented; a dozen regions and family wineries of varying sizes are there, alongside corporate enterprises. There are the familiar and popular varieties such as sauvignon blanc, pinot grigio and shiraz, and the less-well-known savagnin, vermentino, colombard and tempranillo. Producing blends is one way in which wineries keep prices down, so it should be no surprise that blends are well represented here.

Wine writers always delight in the opportunity to recommend expensive wines. The selection of wines on which to splurge is influenced by choosing classy wines that might be consumed over Christmas or given to friends or family as presents – preferably to special people who might drink them with you.

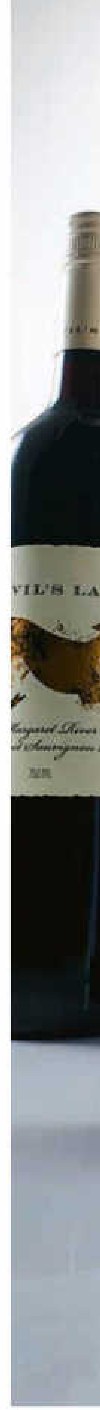
FINE VINTAGES

The fall in the value of the Australian dollar has lifted the spirits of the significant number of local wineries that export and has resulted in increased activity on those markets. This has been accompanied by a run of very good vintages for most regions since 2012. Most of the budget-priced wines on the market at present are from 2014 and 2015 and these are reliably very good.

The grip of the major supermarkets gets ever stronger as the number of own brands grows. There's no question that these wines are cheap but they lack the provenance, the sense of place and the tangible history that established wineries offer. For me, this matters. It's what drinking wine is about.

Peter Forrestal is a freelance wine writer, based in Perth, who contributes to Money *magazine each month and writes for* Gourmet Traveller Wine *and other national and international publications.*

10 best-value WHITES



2015 JIM BARRY WATERVALE RIESLING $18
This is regularly one of the country's best-value rieslings: a Clare Valley beauty that is particularly good in 2015. It is fragrantly floral with intense lemon juice flavours, and clean, fresh and vibrant in the mid-palate, finishing crisp and zesty.

2015 ALKOOMI SEMILLON SAUVIGNON BLANC $16
From Western Australia's Frankland River sub-region of the Great Southern, Alkoomi's semillon sauvignon blanc emphasises its chilly climate with herbal, green pea characters and fresh green bean notes. It has a refreshing purity of flavour before a lively, zingy finish. An ideal summery drop.

2015 DEEP WOODS SEMILLON SAUVIGNON BLANC $14.95
Julian Langworthy is setting the woods alight with upmarket Margaret River classics as well as producing budget-priced whites of rare quality. This is delightfully fragrant with grassy aromatics and some tropical notes, while the palate is fresh, clean and lively with intense herbal flavours, a hint of gooseberry and a crisp, dry finish that lingers.

2015 PITCHFORK SEMILLON SAUVIGNON BLANC $16
This second label of Margaret River's Hay Shed Hill shows just why the region's white blends are so popular. It balances the crisp, lively flavours of tropical fruit with fresh garden herbs, a vibrant, bright mid-palate and a zesty finish that cleanses.

SCOTT HAWKINS

2015 HESKETH SAUVIGNON BLANC $18
Here's a small family winery producing an exciting range of wines thanks to winemaker Phil Lehmann's flair. This regional blend from the cool Adelaide Hills will entice with floral aromas and satisfy with juicy, sweet pea and tropical flavours balanced by its crisp, clean finish.

2015 RICHARD HAMILTON SAUVIGNON BLANC $19.95
Richard Hamilton makes some excellent reds from its estate vineyards in McLaren Vale but sensibly sources this sauvignon from the Adelaide Hills. I loved its riotously tropical aromatics and its fresh, intense, ripe tropical fruit flavours – passionfruit, lychee and gooseberries. This is neatly balanced by refreshing acidity to finish.

2015 PRIMO ESTATE 'LA BIONDINA' COLOMBARD $16
No one but Joe Grilli seems able to extract the varietal character from colombard and he regularly produces one of our best-value-for-money whites. This has intensely fragrant passionfruit aromatics and a distinctive sweet pea flavour that lingers on the back palate. Fresh and lively.

2015 MR MICK PINOT GRIGIO $15
Tim Adams makes exemplary Clare Valley wines under his own label and sources fruit more widely for his budget-priced Mr Mick range. From the Limestone Coast, this one has wonderful intensity, a sharp edginess that gives marvellous, almost chalky, definition, and zip and zing to finish.

2014 TSCHARKE 'GIRL TALK' SAVAGNIN $20
Originally thought to be the delicious Spanish grape variety albarino, it suffered a public relations disaster when shown to be savagnin. The reality is that it still makes quite delicious whites, as this shows: white flower aromatics, bright and juicy on the mid-palate, crisp, clean and dry to finish. Enjoy!

2015 YALUMBA 'Y SERIES' VERMENTINO $12.95
This is a delightfully lively, uncomplicated white in the reliable 'Y Series' that highlights how well the variety can do in Australia's warmer regions such as the Riverland. It is wonderfully aromatic, textural and savoury, vibrant and thirst-quenching, deliciously refreshing, crisp and dry.

10 best-value REDS

2015 ANGOVE 'NINE VINES' GRENACHE SHIRAZ ROSÉ $16

For some time now, this delightful rosé from the Riverland has been among the country's finest examples of the style. It is gently aromatic with hints of raspberry and redcurrants and is clean, bright and lively on the mid-palate, showing savoury rather than fruity flavours, finishing fresh and dry.

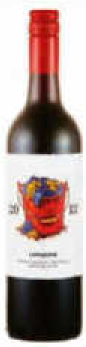
2015 DE BORTOLI 'WINDY PEAK' PINOT NOIR $15

De Bortoli's Victorian pinot is consistently among Australia's best budget pinots. In 2015 it is light-bodied, delicately aromatic with bright red fruits, and has intense raspberry, strawberry and redcurrant flavours, silky smooth texture and gentle, supple tannins.

2013 HOUGHTON RED CLASSIC $12.95

This is one of the great bargains of the year, a trophy winner in Brisbane and available in the supermarkets for ridiculously low prices. It's a Western Australian blend of cabernet sauvignon, shiraz and merlot that is light- to medium-bodied and has bright red berry flavours, smooth texture and pleasing drinkability.

2013 LONGVIEW SHIRAZ CABERNET $17



Here is a terrific version of the traditional Aussie blend (shiraz 65%, cabernet 35%) from one of the most lively wineries in the Adelaide Hills. It is sourced from the estate vineyard at Kuitpo and is quite seductive. It's very ripe with vanilla bean and blackcurrant flavours and is soft and fleshy on the mid-palate.

2014 MAXWELL 'LITTLE DEMON' SHIRAZ GRENACHE $17

The Maxwell family understand just how well the McLaren Vale can produce easy-drinking, budget-priced reds and they offer an excellent range of possibilities. There's an attractive floral lift to this shiraz grenache, succulent redcurrant and dark plum flavours, vibrant fleshy texture and pleasing approachability.

2014 CALABRIA FAMILY HILLTOPS TEMPRANILLO $15

This is sourced from one of the cooler regions not far from the Calabria family's Griffith headquarters and is not for the faint-hearted. It's powerful and concentrated with brooding, briary, blackberry flavours, and heaps of ripe tannins in neat balance with the fruit. There's a lovely softness in the mid-palate that makes it immediately appealing.

2013 MAJELLA 'THE MUSICIAN' CABERNET SHIRAZ $18

Here is a popular Coonawarra winery with a terrific cabernet blend well established as a budget-priced favourite. This is a particularly good vintage. It has lively fragrant notes of cassis and blueberries, and is supple, round and fleshy with mulberry and blackcurrant flavours. Deliciously approachable.

2013 LAKE BREEZE 'BULLANT' SHIRAZ $18

Lake Breeze is one of Langhorne Creek's finest wineries and this cheapie won a gold medal at the local show this year. It is so named because there were a huge number of bull ants in the vineyard before it was cultivated but now it is somewhat more civilised. This medium-bodied shiraz has vibrant plummy flavours, is super smooth and makes pleasant easy drinking.

2013 PUNT ROAD AIRLIE BANK SHIRAZ $18

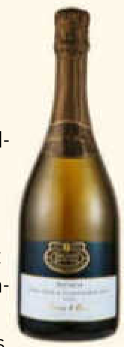
This is from the second label of the Yarra Valley's Punt Road and shows an attractive side of Yarra shiraz. It has enticing aromas of wild olives and brambles, concentration of dark berry flavours yet with a lightness of touch, and tongue-coating yet supple tannins to finish.

2013 SANDALFORD CABERNET MERLOT $20

This leapt out of the glass at a large tasting I was doing in the Swan Valley. I resisted at the time but enjoyed a bottle with some spaghetti bolognese later. It's a blend of fruit from Sandalford's vineyards in the Swan and Margaret River and has a delicious immediacy. There are redcurrant and black cherry aromatics with a hint of vanillin oak, power and refinement on the palate, super smooth with a gentle grip to finish.

Splurge

2008 BROWN BROTHERS 'PATRICIA' SPARKLING PINOT NOIR CHARDONNAY $40



This is consistently one of Australia's finest bubblies, showing the benefit of its lengthy maturation on lees and its sourcing from Victoria's high country. In 2008 it is a wine of immense power, complexity and weight with yeasty aromatics, refined toasty flavours, full-throttle drive and crisp, satisfying, minerally finish that lingers.

2014 VASSE FELIX 'HEYTESBURY' CHARDONNAY $70

Since the 2010 vintage won trophies galore, 'Heytesbury' chardonnay has jostled with half a dozen others at the pinnacle of this country's chardonnay production. In 2014 there is the regional grapefruity flavour profile balanced by more savoury, minerally characters on the palate. A wine of great finesse and marvellous intensity.

2013 DEVIL'S LAIR MARGARET RIVER CABERNET SAUVIGNON $50

The 2013 Devil's Lair cabernet is ripe, fine and plush with attractive redcurrant and cassis aromatics, deep blackberry and bramble flavours and silky smooth texture that moves seamlessly into restrained, ripe tannins. There's power with finesse and the ability to age well for at least 10 years.

James Whitbourn kicks a few tyres and is impressed by what he finds

Class of their own

BEST-VALUE GREEN CARS

GOLD WINNER RENAULT CLIO EXPRESSION TCe90

If you removed the word "value", our podium would look entirely different. Why? Because cars that provide the most environmentally sustainable motoring – such as the electric BMW i3 (from $63,900) – still cost a lot of money. As long as value is part of the equation, the likes of battery (or hydrogen fuel-cell) electric cars are out of the running as, to a lesser extent, are hybrids.

However, our Best of the Best analysis reveals that the happy middle ground, in terms of cost versus environmental-friendliness, is the light car segment. These models, which sit a size below small cars such as a Toyota Corolla, are inherently inexpensive and in the best of the breed fuel- and money-saving abilities merge. As the name implies, light cars weigh less than almost any other four-wheeled vehicle on the road, which is a great start if burning less fuel is the focus, because a lighter car takes less energy to accelerate up to the speed limit.

Meanwhile, engine advances have contributed the other piece of the fuel-saving puzzle. Baby petrol engines endow the Renault Clio TCe 90 Expression, Ford Fiesta Sport and Peugeot 208 Active with enviable fuel economy – astonishing figures of between 4.5L and 4.9L/100km. Yet each delivers the responsiveness required for cut-and-thrust city driving.

The Clio strikes this balance thanks to a tiny 900cc engine, the Fiesta with help from a 1.0-litre engine and the Peugeot 208 with a 1.2-litre engine. The turbocharged Renault Clio and Ford Fiesta have three cylinders, while the non-turbo Peugeot 208 has four.

There are diesels in this class too. They also offer impressive fuel economy but usually cost a bit more and aren't as green in terms of tailpipe emissions.

$18,290 Renault Clio Expression Ce90

BODY: 5-door hatch
ENGINE: 0.9-litre 3-cylinder petrol turbo
DRIVER RATING: 8.0
FUEL CONSUMPTION: 4.5L/100km
EMISSIONS RATING: 5 stars
INSURANCE: $728.88
RESALE: 55%
PLUS: Renault's supermini (as it's classed in its native France) is a charismatic yet pragmatic pick. It's among the most price competitive and most fuel efficient in the class, with a warranty that's 24 months more generous than most, at five years
MINUS: It misses out on rear airbags; Renaults are not renowned for their reliability (though the long warranty means you can buy with a fair degree of confidence)

$18,490 Peugeot 208 Active

BODY: 5-door
ENGINE: 1.2-litre 3-cylinder petrol
DRIVER RATING: 7.5
FUEL CONSUMPTION: 4.7L/100km
EMISSIONS RATING: 5 stars
INSURANCE: $667.22
RESALE: 55%
PLUS: Light weight – the base 208 weighs just 975kg – gives the little Peugeot agile handling, sprightly performance and great fuel economy. French styling flair both inside the (nicely trimmed) cabin and outside
MINUS: Lacks a turbocharger, which means engine power from low speeds isn't quite as healthy as it is in the Polo and Clio; charming, warbly note of three-cylinder engine (just as in the Clio)

$20,525 Ford Fiesta Sport 66TSI Trendline

BODY: 5-door hatch
ENGINE:1.0-litre 3-cylinder petrol turbo
DRIVER RATING: 8.5
FUEL CONSUMPTION: 4.9L/100km
EMISSIONS RATING: 5 stars
INSURANCE: $780.06
RESALE: 60%
PLUS: Terrific handling and steering; sporty and fun, as well as frugal; compliant, comfortable ride; a smooth dual-clutch automatic gearbox is an option (though only the five-speed manual officially dips below 5.0L/100km)
MINUS: Interior design and materials can't match newer Clio and Mazda 2. Not all Fiestas are created equal – only the slightly more expensive mid-level Sport has the desirable three-cylinder turbo engine

BEST-VALUE SUVs

GOLD WINNER MAZDA CX-5 MAXX

Beloved by Aussies and Americans alike, the SUV was born in Japan, and our podium this year is an all-Japanese affair. It figures, because Japan provides more of the SUVs on sale in Australia than any other country. And, as our analysis reveals, it also provides the best sports-utility value.

The **Mazda CX-5** returns to the top spot after taking the gong last year. Meanwhile, the **Honda CR-V** climbs from third to second. These two are the new breed of 2.0-litre four-cylinder, front-wheel-drive, entry-level SUVs that have proven cost-effective for those who want the rugged look, elevated driving position and great vision of a soft-roader but don't plan on venturing off sealed roads.

The **Subaru Forester** has all-wheel drive and is among the best soft roaders in terms of its ability on dirt or gravel. Value is ingrained in the Forester, thanks to Subaru's reputation for reliability. It's not far off the Mazda in terms of its comprehensive insurance cost, and is in fact more fuel efficient than the Honda, with a similar forecast three-year retained value.

$27,190 Mazda CX-5 Maxx FWD	$27,490 Honda CR-V VTi FWD	$29,990 Subaru Forester 2.0i-L
BODY: 5-door wagon	**BODY:** 5-door wagon	**BODY:** 5-door wagon
ENGINE: 2.0-litre 4-cylinder petrol	**ENGINE:** 2.0-litre 4-cylinder petrol	**ENGINE:** 2.0-litre flat 4-cylinder petrol
DRIVER RATING: 7.5	**DRIVER RATING:** 6.0	**DRIVER RATING:** 7.0
FUEL CONSUMPTION: 6.4L/100km	**FUEL CONSUMPTION:** 7.8L/100km	**FUEL CONSUMPTION:** 7.2L/100km
EMISSIONS RATING: 4 stars	**EMISSIONS RATING:** 4 stars	**EMISSIONS RATING:** 4.5 stars
INSURANCE: $863.25	**INSURANCE:** $768.81	**INSURANCE:** $862.92
RESALE: 68%	**RESALE:** 65%	**RESALE:** 65%
PLUS: Enjoyable steering and handling; appealing design inside and out; fuel economy	**PLUS:** Passenger space and cargo versatility; interior and overall build quality	**PLUS:** Handling and ride comfort; spacious cabin; reputation for reliability
MINUS: Lacks pulling power of 2.5-litre petrol; limited ability away from sealed roads	**MINUS:** Six-month service interval when most rivals have 12 months	**MINUS:** Full-size spare wheel and tyre takes up cargo space

BEST-VALUE SMALL CARS

GOLD WINNER MAZDA 3 NEO

Highly efficient Europeans powered by small turbo engines have changed the line-up this year but they couldn't quite knock off the reigning champ, the **Mazda 3**. The Japanese hatch has a slightly larger, non-turbocharged four-cylinder engine that offers economy to virtually match the 1.4-litre four-cylinder Golf, if not the parsimonious three-pot Peugeot.

However, unlike its French and German rivals, which call for premium fuel, the Mazda is happy on normal unleaded. Though the **Peugeot 308** and **Volkswagen Golf** are keenly priced, they can't quite match the Mazda in terms of retained value, and they cost a bit more to insure. The Mazda's value credentials are not lost on the average Australian – it's a bestseller. The Golf is also a popular pick, and the lesser-known Peugeot 308 deserves to be more popular.

One area in which it is difficult to separate the trio is subjective driver appeal. These three pragmatic picks are also among the most enjoyable to drive in this ever-popular class.

$20,490 Mazda 3 Neo	$21,990 Peugeot 308 Access	$22,490 Volkswagen Golf 92TSI
BODY: 4-door sedan/5-door hatch	**BODY:** 5-door hatch	**BODY:** 5-door hatch
ENGINE: 2.0-litre 4-cylinder petrol	**ENGINE:** 1.2-litre 3-cylinder petrol turbo	**ENGINE:** 1.4-litre 4-cylinder petrol turbo
DRIVER RATING: 7.5	**DRIVER RATING:** 7.5	**DRIVER RATING:** 7.5
FUEL CONSUMPTION: 5.8L/100km	**FUEL CONSUMPTION:** 4.6L/100km	**FUEL CONSUMPTION:** 5.3L/100km
EMISSIONS RATING: 4.5 stars	**EMISSIONS RATING:** 5 stars	**EMISSIONS RATING:** 4.5 stars
INSURANCE: $804.45	**INSURANCE:** $822.95	**INSURANCE:** $753.30
RESALE: 64%	**RESALE:** 63%	**RESALE:** 61%
PLUS: Exterior styling; fuel frugality; build quality	**PLUS:** Unique and attractive look; three-cylinder engine economy and character	**PLUS:** Terrific refinement; lovely interior; smooth, efficient engine; economy
MINUS: 2.5-litre versions noticeably are more responsive	**MINUS:** Ride quality not as polished as in benchmark VW Golf	**MINUS:** No longer an individualistic choice – Golfs are everywhere

BEST-VALUE FAMILY CARS

GOLD WINNER SKODA OCTAVIA 110TSI

Large cars have gone out of fashion, while medium cars have grown more than roomy enough for families who haven't followed the flock into an SUV. Continuing along the path less travelled might lead you into our winner, the **Skoda Octavia**.

It hails from the Czech Republic and is still a relative unknown here, though it is underpinned by proven Volkswagen Group mechanicals. But if it keeps winning its Best of the Best category (as it did last year) it mightn't stay a secret for long. The Octavia is sharply priced and styled, and offers brilliant fuel frugality from a 1.4-litre turbo four-cylinder engine shared with the VW Golf.

The **Toyota Camry** is a conservative pick and its cost-saving credentials are firmly established.

Now in its sixth generation, the **Subaru Liberty** has always been a fine choice in terms of practicality, reliability and value. It costs a bit more than its rivals but brings all-wheel-drive – handy on slippery surfaces – and is great to drive.

$22,490 Skoda Octavia Ambition 110TSI

BODY: 5-door liftback
ENGINE: 1.4-litre 4-cylinder petrol turbo
DRIVER RATING: 7.5
FUEL CONSUMPTION: 5.7L/100km
EMISSIONS RATING: 4.5 stars
INSURANCE: $753.30
RESALE: 50%
PLUS: Lots of interior and luggage space – and equipment – for the money; a smooth, efficient drive
MINUS: Entry-level petrol models (and diesels) can't quite match the ride comfort of up-spec versions, which have a more sophisticated rear suspension

$26,490 Toyota Camry

BODY: 4-door sedan
ENGINE: 2.5-litre 4-cylinder petrol
DRIVER RATING: 6.0
FUEL CONSUMPTION: 7.8L/100km
EMISSIONS RATING: 3.5 stars
INSURANCE: $845.41
RESALE: 57.5%
PLUS: Solid value with terrific retained value; spacious cabin; dependable
MINUS: Engine not as satisfying – or as fuel efficient – as many rivals' power plants, including the Octavia

$29,990 Subaru Liberty

BODY: 4-door sedan
ENGINE: 2.5-litre flat 4-cylinder petrol
DRIVER RATING: 6.5
FUEL CONSUMPTION: 7.3L/100km
EMISSIONS RATING: 4.5 stars
INSURANCE: $845.62
RESALE: 51%
PLUS: Understated style; interior's fine fit and finish; all-wheel-drive; refinement
MINUS: Not class-leadingly efficient; no Liberty wagon (you have to buy an Outback)

BEST-VALUE PREMIUM PERFORMANCE CARS

GOLD WINNER MERCEDES-BENZ A45 AMG

The fact that a fire-breathing hatch, a prestige two-door and a thoroughbred coupe share the podium reflects the variety in the premium performance segment. When it comes to luxury and speed, great value appears in all shapes and sizes.

The straight-line acceleration and cornering of the **Mercedes-Benz A45 AMG** are at an extreme level, which helps explain how a small car ends up with a $75,700 price tag. But in terms of the super-car abilities it offers for the price, the baby Benz is in fact terrific value.

The **BMW M235i** offers similar power to the Mercedes. However, with the rear wheels (rather than all four) doing the driving it places driver involvement ahead of slingshot speed.

The Porsche Cayman, meanwhile, majors on mid-engined thrills and holding its value.

$75,700 Mercedes-Benz A45 AMG

BODY: 5-door hatch
ENGINE: 2.0-litre 4-cylinder petrol turbo
DRIVER RATING: 8.0
FUEL CONSUMPTION: 6.9L/100km
EMISSIONS RATING: 4 stars
INSURANCE: $1766.47
RESALE: 60%
PLUS: Extreme power and acceleration in a classy package; fast and great fun
MINUS: Firm ride mightn't please traditional Merc buyers

$79,930 BMW M235i

BODY: 2-door coupe
ENGINE: 3.0-litre 6-cylinder petrol turbo
DRIVER RATING: 8.0
FUEL CONSUMPTION: 8.1L/100km
EMISSIONS RATING: 4.5 stars
INSURANCE: $1529.76
RESALE: 58%
PLUS: Brilliant handling; howling note and punchy performance of turbo six-cylinder
MINUS: Keen drivers have to pay extra for the big wheels and brakes and a limited-slip diff

$106,600 Porsche Cayman

BODY: 2-door coupe
ENGINE: 2.7-litre flat 6-cylinder petrol
DRIVER RATING: 9.0
FUEL CONSUMPTION: 8.2L/100km
EMISSIONS RATING: 4 stars
INSURANCE: $2118.38
RESALE: 68%
PLUS: One of the most satisfying sports cars money can buy
MINUS: You can't take the kids with you – there's no back seat (that's where the engine is)

BEST-VALUE MOBILE PLAN – HIGH USAGE

GOLD WINNER KOGAN MOBILE

Network overhaul should allay suspicions caused by past service problems

	PLAN	COST PM	SET-UP	INCLUDED CALLS[1] & SMS	INCLUDED DATA	EXCESS DATA	NETWORK
1	**Kogan Mobile 5XL**	$36.95	5¢	unlim	5GB	NAp[2]	Vodafone 3G
2	**Lebara Mega Plan**	$39.90	none	unlim	5GB	10¢/MB	Vodafone 3G
3	**TPG T4G III**	$39.99	$10	unlim	5GB	$10/GB	Vodafone 4G

Source: whistleout.com.au. [1]Local calls. [2]Data cut off when 5GB reached.

The winners were ranked by the price of a no-contract monthly plan that included at least 5GB of data, unlimited local calls and unlimited SMS. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

Kogan Mobile has made a comeback after a two-year absence, this time in partnership with Vodafone. And it relaunched just in the nick of time to take out the top spot in this year's high-usage category offering unlimited calls and SMS plus 5GB of data at just $36.95 for 30 days. Data cuts off at 5GB but if you have used up all your allowance before the 30 days are up you can add an extra 2GB for $14.95.

Kogan Mobile also offers a 90-day plan with the same inclusions for $99.95 – which is a saving of about $3 a month if you're willing to make a longer commitment. You may also be able to earn rewards points by linking your Kogan Mobile account to your Qantas Frequent Flyer account.

The fact that Kogan Mobile has gone with the Vodafone network may put off some people. But Joseph Hanlon, the editor of comparison website WhistleOut, says you shouldn't discount Vodafone based on its problems with coverage and service in the past.

"Vodafone has overhauled its network, spending billions in the process, and while Telstra's and Optus's networks are still best in some parts of the country, Vodafone certainly holds its own where most Australians live and work. You should always check the coverage maps before committing to a phone plan but to write off Vodafone based on what others say is folly." The Fact File on the right also shows that Vodafone has had a significant reduction in complaint numbers in the past year.

Runners up are **Lebara's Mega Plan,** which was in the same position last year, and **TPG's T4G III** plan. Their offerings are similar to our winner's and only slightly more expensive, so it was definitely a very tight race. The advantage of TPG is that it is on the 4G network for those concerned about speed.

FACT FILE

Ombudsman reports steady improvement

All three placegetters here are powered by the Vodafone network. So what does the Telecommunications Industry Ombudsman (TIO) say about its performance? The joint January-March 2015 report by the TIO and industry body Communications Alliance said complaints per 10,000 services in operation (SIO) about Vodafone numbered only 8.6, less than half the number they were at the same time last year – a worrying 19.3. Vodafone has spent substantially to achieve continual significant reductions in its complaints ratio – its rate has fallen for four successive quarters. The TIO generally receives more complaints in the January-March quarter compared with the rest of the year for various reasons, including disruption to landline and internet services that can be caused by summer storms.

HOW ADDICTED ARE YOU?

SOURCE: DELOITTE MOBILE CONSUMER SURVEY, 2015

BEST-VALUE PREPAID MOBILE PLAN – LOW USAGE

GOLD WINNER ALDIMOBILE

A year-long credit expiry term is a strong attraction for occasional users

These low-usage plans are perfect for those who don't use their mobile phone much but keep one for emergencies. It's a great option for the elderly and school children to keep in their bags for peace of mind.

The standout feature of **AldiMobile's Pay As You Go** plan is the 365-day credit expiry. You have the option of adding value packs starting from $15 if you need more credit for calls, SMS or data.

If you want extra data credit with the **Amaysim As You Go** plan, packs start at $9.90 for an extra 1GB, which expires after 30 days. But you can buy a 10GB pack for $99.90 that won't expire for 365 days.

An advantage of third placegetter **Virgin Mobile's Prepaid Simple** plan is that it allows unlimited mobile calls and text from Virgin to Virgin within Australia.

If you intend to take on a low-usage plan for your child's phone, make sure they understand the costs associated with making a call, text message or downloading so they avoid using their credit unnecessarily. Make sure they know how to call relevant family members or emergency numbers.

	PLAN	CREDIT EXPIRY	SET-UP COST	RE-CHARGE	COST 2M CALL	SMS COST	DATA	NETWORK
1	**ALDImobile PAYG**	365 days	none	$15	24¢	12¢	5¢/MB	Telstra 3G
2	**amaysim AS YOU GO**	90 days	none	$10	24¢	12¢	7¢/MB	Optus 4G
3	**Virgin Mobile Simple**	90 days	none	$19	60¢	15¢	$2.05/MB	Optus 4G

Source: whistleout.com.au.

The winners were ranked by the days to expiry and the price of a two-minute call. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

BEST VALUE MOBILE PLAN – INTERNATIONAL CALLS

GOLD WINNER LEBARA

Keep in touch with the world – or 60 countries, at least

For the second year running, **Lebara Mobile** has taken out the top spot. Its plan allows you to make unlimited calls to 60 countries. The plan covers the major European countries, the US and Canada, a good selection of Asian countries, including China, and a selection of South American nations. Russia is available only for fixed-line calls. For a full list of included countries you can take a look at the critical information summary on Lebara's website.

In second place is **Vodafone's Red** SIM-only plan which lets you make unlimited standard calls from Australia to landlines and mobiles in 10 overseas destinations which are China, India, USA, UK, NZ, Singapore, Thailand, Malaysia, Hong Kong and South Korea. There are also 90 minutes worth of calls to 70 other countries (details are on the Vodafone website).

Virgin Mobile gives you $300 international call credit but call rates vary depending on the country you call.

	PLAN	MONTHLY COST	CALLS & SMS			EXCESS DATA	NETWORK
			LOCAL	INTNL	DATA		
1	**Lebara Unlimited Internl**	$49.90	unlim	unlim[1]	2.5GB	15¢/MB	Vodafone 3G
2	**Vodafone Red**	$50	unlim	unlim[2]	5GB	$10/GB	Vodafone 4G
3	**Virgin Mobile $50 SIM**	$50	unlim	$300[3]	4GB	$10/GB	Optus 4G

Source: whistleout.com.au. No set-up costs apply. [1]To 60 countries. [2]To 10 countries; 90min to 70 other countries. [3]Call rates depend on country.

The winners were ranked by the range and type of international calls included and the price of a no-contract monthly plan. The plans had at least 200 minutes and 1.5GB of data for local use and at least 100 minutes for international calls. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

BEST VALUE MOBILE PLAN – AVERAGE USAGE

GOLD WINNER BENDIGO BANK TELCO

A bank-owned telco puts the personal touch back into service

Bendigo is the only local telecommunications company owned and operated by a bank. It says it offers what others can't – personal service from an Australian-based expert. During service hours, your call for information or to complain will be answered directly by "an expert, not by a machine".

Bendigo also maintains you won't suffer from a telco headache – "you know, the headache caused by calling a big telco service line: voice recognition machines, endless hold music, a string of transferred calls between offshore call centres".

The Bendigo 4G Lite plan is powered by Optus 4G, whereas runners-up **Aldi Mobile** and **Kogan Mobile** use the Telstra 3G and Vodafone 3G networks respectively. Interestingly, at the Kogan Mobile-Vodafone launch in October, Ruslan Kogan assured the media that the 4G network would be launched early in 2016. While 3G and 4G networks perform the same functions, the difference is speed. Will this be an issue for the average user?

"The difference between these technologies is significant in theory but in everyday use a good 3G network is more than sufficient for general smartphone tasks," says Joseph Hanlon, the editor of WhistleOut, our research partner. "Like everything, there are pros and cons for both, and 4G services are clearly superior, but you should keep an open mind if you want to spot a bargain."

Hanlon says that, happily, there are a number of great-value plans utilising the 4G network – offers from Amaysim, Jeenee Mobile and Boost Mobile come to mind. "But if you want the 'best-value' plans, like those who've won this year's awards, you should consider a 3G option. Most of these plans are offered with no contract, so if you try 3G and want to upgrade, you can switch to a different provider without penalty."

For those hanging out for the 5G network, the good news is it is coming – but not until 2020, reports Telstra.

The telco plans to collaborate with Ericsson on laboratory and field-based testing for the new-generation network and hopes to develop download speeds as fast as 10GB a second.

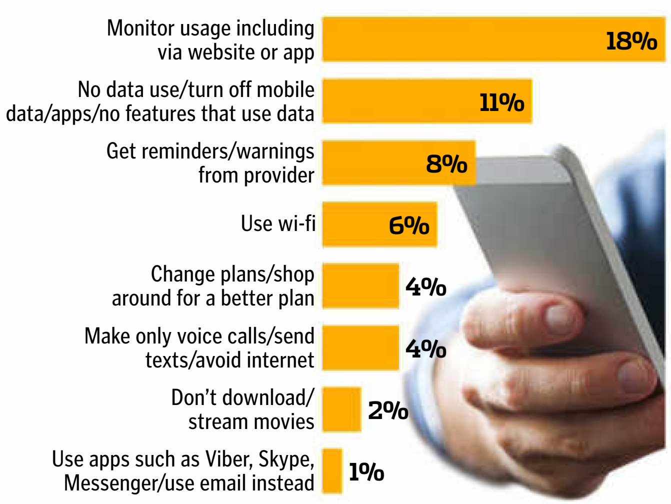
Telstra plans to upgrade its existing 4G network to support the launch of the 5G rollout at the end of the decade.

	PLAN	COST PM	SET-UP COST	INCLUDED CALLS	INCLUDED DATA	EXCESS DATA	NETWORK
1	Bendigo Bank 4G Lite	\$25	none	300min[1]	2GB	\$15/GB	Optus 4G
2	Aldi Mobile L	\$25	\$5	500min[2]	1.5GB	5¢/MB	Telstra 3G
3	Kogan Mobile 3XL	\$29.90	5¢	unlimited	3GB	NAp[3]	Vodafone 3G

Source: whistleout.com.au. [1]Calls are 90¢ per min with 35¢ flagfall. Standard local SMS are unlimited. [2]Calls are 90¢ per min with 35¢ flagfall.Includes 50,000 SMS a month – effectively unlimited. [3]Data cut off when 3GB reached.

The winners were ranked by the price of a no-contract monthly plan that included at least 1.5GB of data, 200 minutes worth of calls and unlimited SMS. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

HOW AUSSIES KEEP COSTS UNDER CONTROL



SOURCE: ACMA RECONNECTING THE CUSTOMER INQUIRY, SEPTEMBER 2015

FACT FILE

The next wave: apps messaging

According to Deloitte's 2015 Mobile Consumer Survey, short message service (SMS) is still the primary form of messaging here. Mobile instant messaging (MIM) services are yet to appeal to many Australians, although its use grew nearly 70% in 2014-15, especially in the 45-plus age group. MIMs allow you to send messages using web-based apps such as WhatsApp, Facebook Messenger, WeChat, Line, iMessage and Snapchat. The advantage of MIM is cost – it is a lot more affordable than SMS, particularly when communicating with multiple people at the same time. MIM use is fast approaching or has overtaken SMS usage in Spain, Singapore, the Netherlands, Italy, China, South Korea and Germany. Deloitte suggests an accelerated uptake of MIM in Australia will be driven by social trends (more friends and family using it) and there will be a natural shift from SMS to MIM. Watch this space!

BEST-VALUE BROADBAND BUNDLED PLANS

Money Magazine Awards 2016

GOLD WINNER SPINTEL

Your family's download cap may need to be upgraded – the popularity of TV and movie streaming is growing quickly

How much broadband data is enough? With all the new streaming services such as Netflix on offer, as well as the kids streaming videos on your tablet, what kind of plan is considered adequate to avoid a data dilemma?

"If your family intends on switching from free-to-air broadcast to Netflix, you should really think about upgrading your plan," says Joseph Hanlon, editor of WhistleOut, our research partner.

"We estimate a home broadband plan with 80GB a month should be enough to cover most usage. But with the price of plans these days, you may as well look for something with 100GB or 200GB and give yourself a buffer."

This year **SpinTel's Urban Home** plan takes the top spot, despite being a little more expensive than our second placegetters, **Exetel and TPG**. It is a better-value option because it offers 100GB extra data for just $10 a month more and the ranking took cost per gigabyte into account.

If you switch your service to SpinTel you can keep your current landline number.

	PROVIDER	MONTHLY COST				SET UP	INCLUDED	CONTR TERM
		DATA PLAN	LINE RENT	CALL PLAN	TOTAL			
1	SpinTel Urban Home 200GB	$25	$24.95	$20	$69.95	$59	unlimited Aust calls; 200GB data	monthly
2	Exetel + ExeChat Plus	$39.99 (comb)		$20	$59.99	$99.99	unlimited Aust calls; 100GB data	12m
2	TPG Bundle	$49.99 (comb)		$10	$59.99	$99.95	unlimited Aust calls; 100GB data	6m
3	Belong	$60 (comb)		$10	$70	$1	unlimited Aust calls; 100GB data	12m

Source: whistleout.com.au. Prices are for metropolitan areas; prices in regions may be higher.

The winners were ranked by monthly costs to receive at least 80GB of data, an included landline phone service and unlimited national and mobile calls. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

BEST-VALUE DATA PLANS

Money Magazine Awards 2016

GOLD WINNER VIRGIN MOBILE

You can have high-speed internet access at a reasonable cost, wherever you are

When commuting to and from work, it's common to observe people streaming videos, music or podcasts or browsing the web on their tablets. According to the telecommunications research site budde.com.au, by early 2015 there were 6 million mobile broadband subscribers in Australia, a growing proportion of them on the Telstra, Optus and Vodafone 4G networks.

For the second year running, **Virgin Mobile BYO** post-paid mobile broadband has won this category, although last year it was with its 6GB plan, which is ideal for moderate users. This year it brings 12GB of data, suitable for regular users.

The runner-up, **Optus's My Mobile Broadband Plus 8GB** plan, allows you to data-pool if you have more than one My Plan Plus (including SIM Only), My Plan Business (SIM Only & Tech Fund), My Mobile Broadband Plus or Mobile Broadband Business plan on the same billing account. All three plans in this category are available on a month-to-month contract. Unused data allowances will not roll over and will expire at the end of each billing month.

	PLAN	COST	DATA INCL	EXCESS DATA	NETWORK
1	Virgin Mobile 12GB BYO	$40	12GB	throttled	Optus 4G
2	Optus My Mobile Broadband	$45	8GB	$10/GB	Optus 4G
3	Vodafone 8GB MBB	$45	8GB	$10/GB	Vodafone 4G

Source: whistleout.com.au. All contract terms are 30 days. No set-up costs apply

The winners were ranked by monthly costs for their BYO plans. The plans were required to include 5GB+ of data a month and be on a 4G network. Providers with 50% more than average TIO complaints per 10,000 subscribers a year were excluded.

CHEAPEST CAR INSURANCE

GOLD WINNER BINGLE

Lower overheads mean our winner can offer great value

Part of the reason this year's winner **Bingle**, which is part of the Suncorp Group, can be so competitive is because it is an online-only business – everything from buying the policy to claiming is done online.

If you're far away from home when you have an accident, You'll be in luck with Bingle's cover, as it insures you for the costs of towing, storage and emergency repairs and accommodation.

An interesting feature is Bingle's "Copycat cover". If your car is being repaired – or is not safe to drive because it's been in an accident – and you borrow someone else's car, you'll still be covered by the same Bingle insurance policy while you drive the borrowed car.

Budget Direct's Gold comprehensive policy, our runner-up, also offers emergency transport and accommodation and will pay up to $1000 to replace your keys and recode locks if your car's keys or remote locking device are stolen.

	PROVIDER	AVGE ANN'L PREMIUM[1]	PREMIUM RANGE[2]	'NO EXCESS' OPTION	PAY MTHLY, NO PENALTY	MAX CAR AGE FOR NEW REPLT
1	**Bingle Comprehensive**	$497	$148	✗	✗	not available
2	**Budget Direct Gold Compr**	$540	$256	✗	✗	2 years
3	**Progressive Direct Compr**	$516	$381	✗	✗	1 year

Source: CANSTAR. [1]If paid yearly. [2]Difference between highest and lowest premiums.

The winners were scored on their average annual premiums (80%) across vehicle types and their premium ranges (20%) for male primary and female secondary drivers, 30-59 years old.

CHEAPEST HOME & CONTENTS INSURANCE

GOLD WINNERS BANKWEST AND COMMINSURE

Strong competition has cut the cost of protecting your most valuable possessions

If home is really where the heart is, it is worth your while to make sure your insurance covers everything that you hold dear. This year's home and contents insurance winner and placegetters are almost $100 cheaper than last year's – good news for all households.

As the industry gets more competitive, premiums are getting cheaper. **CommInsure**, underwritten by Commonwealth Bank, and **Bankwest**, a CBA subsidiary, have received our top award for their home insurance products. For an annual average premium of $749 (in both cases), you and your family can be covered for theft, fire, flood, storm and earthquake, up to the value of $20 million.

But home and contents policies are not just for home owners. CommInsure covers you if you are found responsible for damage or personal injury to a third party or their property – for example, if you're a tenant and you accidentally set on fire your landlord's property. You also have the option of paying an extra fixed $100 excess to cover your portable contents, which could be worth the money.

	PROVIDER	PRODUCT	AVGE ANN PREMIUM[1]	NO EXCESS OPTION	PAY MTHLY NO PENALTY	MULTI POLICY DISC
1	**Bankwest**	Home	$749	✓	✓	✓
1	**CommInsure**	Residential Home Pkg	$749	✓	✓	✓
2	**Suncorp**	Classic H&C Ins	$811	✗	✗	✓
3	**Budget Direct**	H&C Insurance	$818	✗	✗	✓

Source: CANSTAR. [1]If paid yearly.

The winners were scored on their average annual premium, across property types and states, low- and high-sum insured. Only regions south of Rockhampton were considered.


AS WINNERS OF THIS YEAR'S *Money* magazine
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Insurer: AAI ltd ABN 48 005 297 807 trading as Bingle Insurance.
First read the relevant PDS at bingle.com.au

CHEAPEST TERM & TPD INSURANCE

GOLD WINNER MLC INSURANCE

Lump-sum payment will take care of dependants' financial needs

	COMPANY	PRODUCT	AVERAGE YEAR 1 PREMIUM	AVGE YR 1 PREMIUM[1]		AVGE YR 1 PREMIUM[1]	
				WHITE COLLAR	BLUE COLLAR	MALE	FEMALE
1	**MLC Insurance**	Life Cover & TPD	$528	$472	$585	$570	$487
2	**Asgard Cap Mgt**	Life Protection	$551	$501	$602	$582	$521
3	**AMP**	Elevate Life Ins Plan	$572	$510	$633	$613	$531

Source: CANSTAR. [1]Non-smoker, non-executive office worker and blue-collar electrician; 30-& 40-year-olds; $500,000 worth of death & TPD insurance, any occupation.

The winners were ranked by their stepped year-one premiums for $500,000 cover. Note that annual premiums increase at different rates for different products.

You really should have term and TPD (total and permanent disability) insurance if you have dependants. The cover will provide for family members who rely on you for financial support if you die or become permanently disabled. Some buy term (life) and TPD insurance separately but it's usually more convenient and cost-effective to package them, as is the case with our top three policies.

The winning policy, **MLC's Life Cover and TPD**, came out on top in terms of pricing, given premiums were, on average, lower for each gender and occupation considered, says Rebecca Scarrabelotti, a research analyst with Canstar.

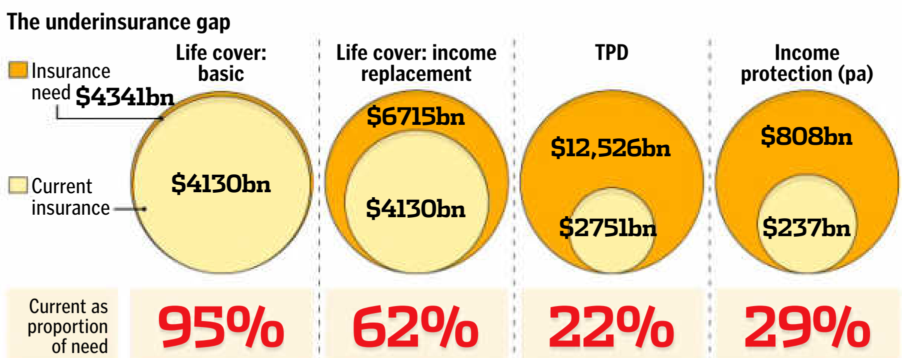
"Life Cover provides a lump-sum payment to beneficiaries if the policyholder dies, while the addition of TPD cover makes this lump-sum payment to the policyholder if they are unable to work again in any occupation due to illness or injury."

With this policy you can apply for any amount of death cover and up to $5 million for TPD, depending on your occupation. "Holding TPD as an extension of your life cover is typically more cost effective than holding it separately," Scarrabelotti says.

An attractive feature of this product is that if the policyholder dies the beneficiaries can access up to $5000 for the preparation of a written financial plan, Scarrabelotti notes. MLC also gives those aged 30 or over the option of freezing stepped premiums, which typically increase annually with age.

Asgard's Life Protection policy is in second place. Its guaranteed future insurability benefit allows you to apply for increases in your insured amount if certain relevant personal or business events occur, such as getting married or divorced, before age 55, without having to provide further evidence of health or insurability.

LOOK BEYOND BASIC LIFE COVER



SOURCE: RICE WARNER. AUGUST 2014. UNDERINSURANCE IN AUSTRALIA

FACT FILE

Upfront commissions to be cut by half

Upfront commissions on life insurance, which can be as high as 120% on the first year of a policy, are due to be slashed under a proposal from the Association of Financial Advisers (AFA), Financial Planning Association (FPA) and Financial Services Council (FSC).

Their proposal will impose a maximum total upfront commission of 60% of the premium in the first year of the policy from July 1, 2018. The trail commission will be a maximum 20% in all subsequent years from January 1, 2016. In the transition, the upfront commission will fall to 80% in 2016, 70% in 2017 and 60% in 2018.

The FSC said the reforms would substantially benefit consumers.

BEST FEATURED INCOME PROTECTION INSURANCE

GOLD WINNER ZURICH AUSTRALIA

Flexibility in waiting periods and in the range of benefits are important considerations

Take a look at the policies of the finalists in this category. If you are after income protection insurance with extra bells and whistles – such as remaining eligible for benefits even if you return to work part time.

The winning policy for the second year in a row, **Zurich Australia's Income Replacement Premier**, offers the most flexibility when it comes to waiting periods and benefits. It also has a range of options, including having your superannuation contributions or the fixed costs of running your business paid while you are receiving benefits.

	PROVIDER & PRODUCT	AVERAGE YEAR 1 PREMIUM[1]	BENEFIT PERIOD OPTIONS	WAITING PERIOD OPTIONS	MAX SUM INSURED (PM)	BENEFIT PAYMENTS
1	**Zurich Inc Replacemt Premier**	$1662	7	7	$30,000	fortnightly
2	**OnePath OneCare Inc Sec Profl**	$1362	6	7	$40,000	monthly
3	**TAL Income PP Premier**	$1387	5	7	$30,000	monthly

Source: CANSTAR. [1]Non-smoker, non-executive office manager; $80,000 income. Benefit is 75% of salary (agreed value) payable monthly; 30-day wait, to age 65 benefit period; average stepped premium across women and men, 30- and 40-year-olds.

The winners were ranked by a scoring system that awarded points for features, including policy benefits and options and claim payment terms.

The policy also offers a "day-four" accident option where benefits are payable immediately if you are disabled due to an accidental injury for more than three consecutive days, meaning normal waiting periods (up to 90 days) don't apply. These options do cost extra, but you can claim a tax deduction.

This category was judged only on premiums paid by white-collar workers as not all the products are available to those in blue-collar occupations.

CHEAPEST INCOME PROTECTION INSURANCE

GOLD WINNER MACQUARIE LIFE

Make sure the money keeps coming in when sickness or injury stop you working

Most of us depend on our income to pay for both our necessities and lifestyle choices, which is why we need to insure it. Income protection insurance, also known as disability or salary continuance insurance, enables us to meet our financial commitments when illness or injury prevent us from working.

Premiums are determined by many factors, including whether you are a smoker, occupation and gender. How long you have to wait for your benefit to kick in and how long it will be paid also influence the cover.

This year's winner, **Macquarie Life FutureWise**, has the lowest premiums across all categories and offers lots of options. People aged between 19 and 60 can take out a policy offering five choices of waiting periods, from 30 days to two years. Policyholders can elect to receive benefits for two or five years or to age 65 or 70. Using Macquarie Life's online portal, you can apply for a FutureWise policy 24 hours a day, seven days a week.

	PROVIDER & PRODUCT	AVERAGE YEAR 1 PREMIUM[1]	AVGE YEAR 1 PREMIUM		AVGE YEAR 1 PREMIUM[1]	
			WHITE COLL	BLUE COLL	MALE	FEMALE
1	**Macquarie Life FutureWise**	$1544	$1012	$2077	$1204	$1885
2	**ClearView Income Protection**	$1584	$1087	$2082	$1260	$1909
3	**OnePath Standard**	$1636	$1121	$2150	$1356	$1915

Source: CANSTAR. [1]Non-smoker, non-executive office worker and blue-collar electrician, women and men; $80,000 income. Benefit is 75% of salary (agreed value) payable monthly; 30-day wait, to age 65 benefit period.

The winners were ranked by their average stepped year-one premiums for an income of $80,000. Note that annual premiums increase at different rates for different products.

BEST INNOVATIVE INSURANCE PRODUCT

GOLD WINNER ESSENTIALS BY AAI

A well-researched and well-thought-out, affordable policy tackles the entrenched problem of underinsurance for those on lower incomes

FACT FILE

Five things you should know about home insurance

1. You might have a $15,000 painting and a $3000 watch but don't automatically assume you'll be paid their full value when you make a claim because there are usually limits set for the insured value of home contents. To be paid the true value of an item, you'll need to list all such valuables as "specified" contents and provide a receipt or valuation.

2. Any damage your furry friend causes may not be covered by your policy. So if you have a pet, check the fine print.

3. If you go away for a long holiday, you may find your insurance is compromised. Check your policy and if your holiday is longer than the limits set, talk to your insurer.

4. Beware if you're running a home business, because your business items might not be covered. You may need to buy a separate business insurance policy.

5. When it comes to making a claim, you'll need to prove you actually owned the items in your claim. Keep a checklist of all your home contents – their value, model numbers, serial numbers, photos and receipts.

Underinsurance has been a chronic problem: an estimated one in five Australians do not have general insurance for their home, contents or car. Being unable to afford cover is why many risk going without it but one mishap and things can spiral out of control, especially for those on a low income.

"Our experience with financial programs for people on low incomes shows just how easy it is to slip into hardship after a financial shock such as the loss of a family asset which can be expensive to replace," says Adam Mooney, the CEO of not-for-profit organisation Good Shepherd Microfinance. (See the interview on page 18.)

As Mark Milliner, the CEO of Suncorp Personal Insurance, says, people who don't have insurance are often the ones who need it the most. That's why Good Shepherd Microfinance has joined forces with Suncorp to develop insurance cover for people on low incomes. Essentials by AAI was born and it has gone on to win Best Innovative Insurance Product.

Essentials by AAI was a year in the making and Good Shepherd and Suncorp developed the product by working with an external advisory group of financial counsellors, legal aid, the Financial Ombudsman Service, financial inclusion researchers and consumer representatives.

Money's judges really appreciated that this product focuses on the needs of Australians on low incomes. Not only is it affordable – premiums start as low as $4 a week, which comes in at two-thirds the average cost of traditional cover, according to the submission – but it also allows policyholders to "mix and match" their cover for contents and cars.

The winners were judged based on their submissions. Invitations to submit entries were given to all institutions on the Canstar database. Only products that were launched in the past 12 months were eligible. Entries for submissions closed on October 9, 2015. They were judged on innovation, scope and where applicable, price.

Research showed that low-income earners wanted protection just for essentials, such as their secondhand car and whitegoods, and that and in many cases the level of cover offered was simply too high. Customers can choose cover of $10,000 or $20,000 for contents and can insure up to two cars for $3000 or $5000.

Even if you do have insurance, having to pay an excess when you make a claim also hurts your hip pocket. Essentials by AAI policyholders don't have to worry about that as they get two excess-free claims and a low $100 or $300 excess applies to subsequent claims.

In what the submission describes as an Australian first, Essentials by AAI offers flexible payment options, including fortnightly direct debit and payment via Centrepay.

"Centrepay is a free voluntary bill-paying service that can be used by people who receive an income through Centrelink. Deductions come directly from Centrelink payments and can be used to pay many types of bills, such as childcare, electricity or rent," explains the submission. "This is the first time insurance has been added to the list of approved businesses that can access Centrepay."

Need help?

Useful numbers and websites

Australian Communications & Media Authority
1300 850 115
www.acma.gov.au

Australian Competition and Consumer Commission
1300 302 502
www.accc.gov.au

Australian Securities and Investments Commission (ASIC)
Local call: 1300 300 630
www.asic.gov.au

Australian Securities Exchange
131 279
www.asx.com.au

ASFA
1800 812 798 (outside Sydney)
9264 9300 (Sydney)
www.superannuation.asn.au

CPA Australia
Listing of accountants
1300 737 373
www.cpaaustralia.com.au

Credit & Insurance Ombudsman Service
Financial complaints
1800 138 422
www.cio.org.au

Do Not Call Register
If you want to reduce telemarketing calls
1300 792 958
www.donotcall.gov.au

D&B
For a copy of your credit report
1300 734 806
www.dnb.com.au

Fair trading/consumer affairs
ACT (02) 6207 3000
NSW 133 220
NT 1800 019 319
QLD 137 468
SA 131 882
TAS 1300 654 499
VIC 1300 558 181
WA 1300 304 054

Financial Counsellors
1800 007 007
www.financialcounsellingaustralia.org.au

Financial Ombudsman Service
Financial disputes
free call: 1300 780 808
www.fos.org.au

Financial Planning Association
Listing of financial advisers
Call: 1300 626 393
www.fpa.asn.au

Human Services
Formerly Centrelink
Families: 136 150
Pension advice: 132 300
www.humanservices.gov.au

Legal Aid advice (free)
ACT 1300 654 314
NT 1800 019 343
NSW 1300 888 529
QLD 1300 651 188
SA 1300 366 424
TAS 1300 366 611
VIC 1300 792 387
WA 1300 650 579

My Credit File
For a copy of your credit report
Call: 1300 762 207
www.mycreditfile.com.au

Seniors Card
ACT 02 6282 3777
WA 08 6551 8800
SA 1800 819 961
NT 1800 441 489
NSW 137 788
TAS 1300 135 513
VIC 1300 797 210
QLD 137 468
www.australia.gov.au/content/seniors-card

Superannuation Complaints Tribunal
Super complaints
1300 884 114
www.sct.gov.au

Super Seeker
Track down lost super
132 865
www.ato.gov.au/superseeker

Tax Office Super infoline
Call: 131 020
www.ato.gov.au

Telecommunications Ombudsman
1800 062 058
www.tio.com.au

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